

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2024

New Issue/Book-Entry-Only Ratings:

Moody's: Aa3
S&P: AA-
(See "RATINGS" herein)



\$59,415,000*
CITY OF MEBANE, NORTH CAROLINA
Combined Utilities Revenue Bonds
Series 2024

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The bonds offered hereby (the "Series 2024 Bonds") will be special obligations of the City of Mebane, North Carolina (the "City") secured by and payable from the Net Receipts of the City's water and sanitary sewer systems and, under certain circumstances, the proceeds of the Series 2024 Bonds, investment earnings and certain net insurance and other proceeds. The Series 2024 Bonds are being issued for the purpose of providing funds, together with any other available funds, to (1) pay the cost of financing improvements and expansions to the City's water resource recovery facility and (2) pay certain costs incurred in connection with the sale and issuance of the Series 2024 Bonds. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF NORTH CAROLINA (THE "STATE") OR ANY OF THE STATE'S POLITICAL SUBDIVISIONS ARE PLEDGED FOR PAYMENT OF THE SERIES 2024 BONDS, AND NO OWNER OF THE SERIES 2024 BONDS HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OR ANY OF THE STATE'S POLITICAL SUBDIVISIONS OR THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY IN CONNECTION WITH ANY DEFAULT THEREON OR TO APPLY ANY FUNDS OTHER THAN THE NET RECEIPTS FOR THE PAYMENT OF THE SERIES 2024 BONDS.

The Series 2024 Bonds initially will be issued as fully registered bonds and when delivered will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as the initial securities depository for the Series 2024 Bonds. Individual purchases of the Series 2024 Bonds by the beneficial owners will be made in denominations of \$5,000 or any whole multiple thereof. So long as Cede & Co. is the registered owner of the Series 2024 Bonds, as nominee for DTC, references herein to registered owners or Owners shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2024 Bonds. So long as Cede & Co. is the registered owner of the Series 2024 Bonds, the principal of and interest on the Series 2024 Bonds are payable by the Bond Registrar to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners. See **Appendix F** hereto.

The Series 2024 Bonds are subject to optional and mandatory sinking fund redemption as described herein.

In the opinion of Sanford Holshouser LLP, Bond Counsel, and subject to the qualifications described in this Official Statement, interest on the Series 2024 Bonds is not includable in gross income for federal income tax purposes, and is exempt from current State of North Carolina income taxes. See "**TAX TREATMENT**" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the Series 2024 Bonds, including information regarding the application of federal alternative minimum tax provisions to the Series 2024 Bonds and certain other federal, State and local tax consequences.

The Series 2024 Bonds are offered subject to prior sale, when, as and if issued and accepted by the Underwriters, subject to the approval of their validity and certain other matters by Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the City by Lawson Brown, Esq., Mebane, North Carolina, City Attorney, and for the Underwriters by Moore & Van Allen PLLC, Charlotte, North Carolina, counsel to the Underwriters. Davenport & Company LLC, Charlotte, North Carolina, is acting as financial advisor to the City in connection with the issuance of the Series 2024 Bonds. Stantec Consulting Services, Inc., Tampa, Florida, has prepared the financial feasibility report included in **Appendix B** hereto. It is expected that delivery of the Series 2024 Bonds will be made through the facilities of DTC on or about October 30, 2024.

PNC CAPITAL MARKETS LLC

WELLS FARGO SECURITIES

October __, 2024

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

Due August 1	Principal Amount	Interest Rate	Yield	CUSIP⁽¹⁾
2027	\$1,410,000			
2028	1,485,000			
2029	1,560,000			
2030	1,640,000			
2031	1,725,000			
2032	1,810,000			
2033	1,905,000			
2034	2,005,000			
2035	2,105,000			
2036	2,215,000			
2037	2,325,000			
2038	2,445,000			
2039	2,570,000			
2040	2,705,000			
2041	2,845,000			
2042	2,990,000			
2043	3,140,000			
2044	3,305,000			
2045	3,470,000			
2046	3,650,000			
2047	3,835,000			
2048	4,035,000			
2049	4,240,000			

⁽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.

* Preliminary, subject to change

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Series 2024 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Series 2024 Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Series 2024 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 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.

Neither the Series 2024 Bonds, the Master Trust Agreement nor the Third Supplemental Trust Agreement (each as defined herein) 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, and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended. Any registration or qualification of the Series 2024 Bonds, the Master Trust Agreement or the Third Supplemental Trust Agreement in accordance with applicable provisions of securities laws of the states in which the Series 2024 Bonds, the Master Trust Agreement or the Third Supplemental Trust Agreement have been registered or qualified, if so required, and the exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof.

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

This Official Statement is deemed to be a final official statement with respect to the Series 2024 Bonds within the meaning of Rule 15c2-12, except, when it is in preliminary form, for the omission of certain pricing and other information authorized to be omitted by Rule 15c2-12.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expectations," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the expectations of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue, nor does it plan to issue any updates or revisions to the forward-looking statements.

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	3
THE SERIES 2024 BONDS	5
Authorization	5
General	5
Redemption Provisions	6
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS	7
General	7
Pledge of Net Receipts	8
Funds and Accounts	8
Application of Receipts	9
Parity Indebtedness	10
Subordinate Indebtedness	10
System G.O. Indebtedness	10
Installment Debt	10
Rate Covenant	11
THE SERIES 2024 PROJECT	11
ESTIMATED SOURCES AND USES OF FUNDS	12
ANNUAL DEBT SERVICE REQUIREMENTS	13
FINANCIAL FEASIBILITY REPORT	14
THE SYSTEM	16
General	17
Water System	18
Sewer System	18
Top Ten Customers	18
THE CITY	19
General Description	19
Governance	19
Demographic Characteristics	19
Commerce and Industry	20
Employment	22
Education	23
Transportation	23
Construction Activity	24
Cybersecurity	24
Climate Change	24
CONTINUING DISCLOSURE	25
LEGAL MATTERS	28
LITIGATION	28
TAX TREATMENT	28
Opinion of Bond Counsel	28
Discount Bonds	29
Premium Bonds	29
Other Tax Consequences	29
LEGALITY FOR INVESTMENT	30
RATINGS	30
UNDERWRITING	30
MISCELLANEOUS	31

APPENDIX A	Financial Information of the City
APPENDIX B	Financial Feasibility Report
APPENDIX C	Summary of Certain Provisions of the Master Trust Agreement and the Third Supplemental Trust Agreement, Including Definitions of Certain Terms
APPENDIX D	The North Carolina Local Government Commission
APPENDIX E	Proposed Form of Opinion of Bond Counsel
APPENDIX F	DTC's Book-Entry-Only System

**LOCAL GOVERNMENT COMMISSION
STATE AND LOCAL GOVERNMENT FINANCE DIVISION**

**Official Statement
of the North Carolina Local Government Commission
Concerning**

**\$59,415,000*
CITY OF MEBANE, NORTH CAROLINA
Combined Utilities Revenue Bonds
Series 2024**

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages and the appendices, is to provide certain information in connection with the issuance by the City of Mebane, North Carolina (the “City”) of \$59,415,000* Combined Utilities Revenue Bonds, Series 2024 (the “*Series 2024 Bonds*”). The Series 2024 Bonds are being issued pursuant to a Master Trust Agreement, dated as of September 1, 2021 (the “*Master Trust Agreement*”), between the City and U.S. Bank Trust Company, National Association, as successor trustee (the “*Trustee*”), and a Third Supplemental Trust Agreement, dated as of October 1, 2024 (the “*Third Supplemental Trust Agreement*”), between the City and the Trustee.

Pursuant to the Master Trust Agreement, the City has issued the following series of bonds which are currently outstanding: (1) Combined Utilities Revenue Bond, Series 2021A (the “*Series 2021A Bond*”) purchased by Truist Bank, of which \$2,420,000 is currently outstanding, (2) Combined Utilities Revenue Bond, Series 2021B (the “*Series 2021B Bond*” and together with the Series 2021A Bond, the “*Series 2021 Bonds*”) purchased by Truist Bank, of which \$10,189,000 is currently outstanding and (3) Combined Utilities Revenue Bond, Series 2023 (the “*Series 2023 Bond*”) purchased by Capital One Bank, of which \$5,773,000 is currently outstanding. The Series 2021 Bonds and the Series 2023 Bond constitute Parity Indebtedness for purposes of the Master Trust Agreement. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS — Parity Indebtedness**” herein.

The City has not incurred System G.O. Indebtedness intended to be paid from revenues of the City’s water and sanitary sewer systems (the “*System*”). See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS — System G.O. Indebtedness**” herein.

The City has a clean water loan (the “*State Loan*”) from the State of North Carolina (the “*State*”) that it pays from revenues of the System. In addition, the City pays obligations (the “*Graham Obligations*”) to the City of Graham from revenues of the System. The State Loan and the Graham Obligations constitute Subordinate Indebtedness within the meaning of the Master Trust Agreement. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS — Subordinate Indebtedness**” herein.

In addition, the City has installment financing obligations that it pays from revenues of the System (the “*System Installment Obligations*”). The System Installment Obligations constitute Installment Debt within the meaning of the Master Trust Agreement. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS — Installment Debt**” herein.

* Preliminary, subject to change

This introduction provides certain limited information to serve as a guide to the Official Statement and is expressly qualified by the Official Statement as a whole. Investors should make a full review of the entire Official Statement and the documents summarized or described herein.

For the definition of certain terms used herein and a summary of certain provisions of the Master Trust Agreement and the Third Supplemental Trust Agreement, see **Appendix C** hereto. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Master Trust Agreement and the Third Supplemental Trust Agreement unless otherwise indicated.

Authorization. The Series 2024 Bonds are being issued pursuant to The State and Local Government Revenue Bond Act, Article 5 of Chapter 159, as amended, of the General Statutes of North Carolina (the “*Act*”) and an order adopted by the Board of Commissioners of the City on October 7, 2024.

Security. The Series 2024 Bonds will be special obligations of the City, secured by and payable from the Net Receipts (hereinafter defined) of the System and, under certain circumstances, the proceeds of the Series 2024 Bonds, investment earnings and certain other proceeds. The Series 2024 Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Master Trust Agreement and the Third Supplemental Trust Agreement.

The Master Trust Agreement provides that the Series 2024 Bonds will be secured by a pledge, charge and lien upon the Net Receipts on a parity with the outstanding Series 2021 Bonds, the outstanding Series 2023 Bond and any other Parity Indebtedness (hereinafter defined) hereafter incurred by the City. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS**” herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY OF THE STATE’S POLITICAL SUBDIVISIONS ARE PLEDGED FOR PAYMENT OF THE SERIES 2024 BONDS, AND NO OWNER OF THE SERIES 2024 BONDS HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE OR ANY OF THE STATE’S POLITICAL SUBDIVISIONS OR THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY IN CONNECTION WITH ANY DEFAULT THEREON OR TO APPLY ANY FUNDS OTHER THAN THE NET RECEIPTS FOR THE PAYMENT OF THE SERIES 2024 BONDS.

Purpose. The Series 2024 Bonds are being issued for the purpose of providing funds, together with any other available funds, to (1) pay a portion of the cost of improving and expanding the City’s water resource recovery facility (the “*Series 2024 Project*”) and (2) pay certain costs incurred in connection with the sale and issuance of the Series 2024 Bonds. See “**THE SERIES 2024 PROJECT**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

Details of Bonds. The Series 2024 Bonds will be dated the date of delivery thereof. Interest on the Series 2024 Bonds will be payable on February 1 and August 1, beginning February 1, 2025, at the rates shown on the inside front cover. Principal of the Series 2024 Bonds will be payable, subject to prior redemption of the Series 2024 Bonds as described herein, on August 1 in the years and amounts shown on the inside front cover.

The Series 2024 Bonds will be issued as fully registered bonds in book-entry-only form, without physical delivery of bond certificates to the beneficial owners of the Series 2024 Bonds. The Bond Registrar will make payment of principal of and interest on the Series 2024 Bonds to The Depository Trust Company, New York, New York (“*DTC*”), which will in turn remit such payment to its participants for subsequent distribution to the beneficial owners of the Series 2024 Bonds. Individual purchases of the Series 2024 Bonds by the beneficial owners will be made in denominations of \$5,000 or whole multiples thereof. See **Appendix F** hereto for more information regarding DTC and the book-entry-only system.

City and System. See “**THE CITY**” herein for certain information regarding the City and “**THE SYSTEM**” herein for particular information regarding the System. Additional information on the System can be found in **Appendix B** hereto.

Tax Status. See “**TAX TREATMENT**” herein.

Professionals. PNC Capital Markets LLC, Charlotte North Carolina, and Wells Fargo Bank, National Association, Charlotte, North Carolina (together, the “*Underwriters*”), are underwriting the Series 2024 Bonds. Sanford Holshouser LLP, Carrboro, North Carolina, is serving as Bond Counsel. Moore & Van Allen PLLC, Charlotte, North Carolina, is serving as counsel to the Underwriters. Lawson Brown, Esq., Mebane, North Carolina, is the City Attorney. U.S. Bank Trust Company, National Association, Charlotte, North Carolina, is serving as the Trustee and Bond Registrar. Davenport & Company LLC, Charlotte, North Carolina, is acting as financial advisor to the City in connection with the sale and issuance of the Series 2024 Bonds. Stantec Consulting Services, Inc., Tampa, Florida, has prepared the financial feasibility report included in **Appendix B** hereto.

City’s Financial Statements. The City’s basic financial statements have been audited by independent certified public accountants for each fiscal year through the fiscal year ended June 30, 2023. The City’s basic financial statements and the notes thereto, lifted from the City’s audited financial report for the fiscal year ended June 30, 2023, are included as **Appendix A** hereto.

Continuing Disclosure. The City has undertaken in the Third Supplemental Trust Agreement to provide certain annual financial information and operating data and to provide notice of certain material events. See “**CONTINUING DISCLOSURE**” herein.

THE SERIES 2024 BONDS

Authorization

The Series 2024 Bonds will be issued pursuant to the Act and an order expected to be adopted by the Board of Commissioners of the City on October 7, 2024. The Series 2024 Bonds will be issued pursuant to the Master Trust Agreement and the Third Supplemental Trust Agreement.

The issuance of the Series 2024 Bonds will be considered for approval by the North Carolina Local Government Commission (the “*LGC*”) on October 1, 2024. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in North Carolina. Its approval is required for all local government bond issues and substantially all other local government financing arrangements in North Carolina. In determining whether to allow bonds to be issued under the Act, the LGC has been given wide statutory discretion to consider the need for and feasibility of the projects to be financed, the local government’s capability to repay the amount financed from the pledged revenue sources and the local government’s general compliance with State budget and finance laws. Under the Act, the LGC is also responsible, with the issuing unit’s approval, for selling bonds issued pursuant to the Act. See **Appendix D** hereto for additional information on the LGC and its powers and duties.

General

The Series 2024 Bonds will be dated the date of delivery thereof, will bear interest from their dated date payable on each February 1 and August 1, beginning February 1, 2025, at the rates shown on the inside front cover (calculated on the basis of a 360-day year consisting of twelve 30-day months) and will mature, subject to prior redemption as described below, on August 1 in the years and amounts shown on the inside front cover. The Series 2024 Bonds will be issued as fully registered bonds and will be subject to the

provisions of the book-entry-only system described below. Individual purchases of the Series 2024 Bonds by the beneficial owners will be made in denominations of \$5,000 or integral multiples thereof.

The Series 2024 Bonds will be issued as fully registered bonds in book-entry-only form without physical delivery of bonds to the beneficial owners of the Series 2024 Bonds. So long as DTC or its nominee is the registered owner of the Series 2024 Bonds, the Trustee will make payments of principal of and interest on the Series 2024 Bonds to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to the beneficial owners of the Series 2024 Bonds. See **Appendix F** hereto for more information regarding DTC and the book-entry-only system for the Series 2024 Bonds.

Redemption Provisions

Optional Redemption. The Series 2024 Bonds maturing on or before August 1, 20__ will not be subject to optional redemption. The Series 2024 Bonds maturing on or after August 1, 20__ will be subject to redemption prior to maturity, at the option of the City, from any funds that may be available to the City for such purpose, in whole or in part on any date on or after August 1, 20__, at a redemption price equal to 100% of the principal amount of the Series 2024 Bonds to be redeemed, plus accrued interest to the redemption date.

Sinking Fund Redemption. The Series 2024 Bonds maturing on August 1, 20__, will be subject to mandatory sinking fund redemption, at a redemption price equal to the principal amount to be redeemed plus accrued interest, if any, to the redemption date, without premium, on August 1, in the years and amounts as follows:

<u>Year</u>	<u>Amount</u>
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*

*Maturity.

Notice of Redemption. At least 30 days, but not more than 60 days, prior to the redemption date for Series 2024 Bonds, whether such redemption be in whole or in part, the Trustee will cause a notice of redemption to be mailed by registered or certified mail to each of registered owners of Series 2024 Bonds to be redeemed in whole or in part at their addresses as shown on the Trustee's registration books; provided, however, that notices to DTC will be sent in whatever manner may be provided for under DTC's standard operating rules as then in effect. Failure to give any such notice to any registered owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other registered owner to whom such notice is properly given.

Any redemption notice, except a redemption notice in respect of a sinking fund payment date, may state that the redemption to be effected is conditioned upon (1) the Trustee's receipt on or prior to the redemption date of moneys sufficient to pay the principal of and interest on the Series 2024 Bonds to be redeemed or (2) any other condition not unacceptable to the Trustee. If a notice contains a condition and the Trustee does not receive moneys sufficient to pay the principal of and interest on the Series 2024 Bonds on or prior to the redemption date or the stated condition is not fulfilled, then redemption will not be made and the Trustee must, within a reasonable time, give notice in in the same manner in which the redemption

notice was given that the moneys were not so received (or condition was not fulfilled) and the redemption was not made.

Selection of Series 2024 Bonds for Redemption. If less than all of the Series 2024 Bonds are called for optional redemption, the Series 2024 Bonds or portions thereof to be redeemed will be selected among maturities by the City in its discretion. If less than all the Series 2024 Bonds of any one maturity are called for redemption, the Series 2024 Bonds of such maturity to be redeemed will be selected (1) by DTC pursuant to its rules and procedures or (2) if a book-entry system is no longer in effect, by the Trustee by lot. The Series 2024 Bonds may be redeemed only in integral multiples of \$5,000, and in selecting the Series 2024 Bonds for redemption, each \$5,000 portion of the principal of the Series 2024 Bonds shall be counted as one Series 2024 Bond for such purpose. If a portion of a Series 2024 Bond is called for redemption, a new Series 2024 Bond in principal amount equal to the unredeemed portion thereof will be issued to the Owner upon surrender thereof.

Effect of Call for Redemption. If on or before the date fixed for redemption funds or Federal Securities are deposited with the Trustee to pay the principal of and interest accrued to the redemption date on Series 2024 Bonds called for redemption, the Series 2024 Bonds, or portions of the Series 2024 Bonds, called for redemption cease to accrue interest from and after the redemption date. Thereafter, those Series 2024 Bonds (1) are no longer entitled to the benefits provided by the Master Trust Agreement and (2) are not deemed to be Outstanding under the Master Trust Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2024 BONDS

General

The Series 2024 Bonds will be special obligations of the City, secured by and payable from the Net Receipts of the System and, under certain circumstances, the proceeds of the Series 2024 Bonds, investment earnings and certain net insurance and other proceeds. The Series 2024 Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Master Trust Agreement and the Third Supplemental Trust Agreement. NEITHER THE CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OR ANY OF THE STATE'S POLITICAL SUBDIVISIONS ARE PLEDGED FOR THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2024 BONDS, AND NO OWNER OF THE SERIES 2024 BONDS HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY, THE STATE, ANY OF THE STATE'S POLITICAL SUBDIVISIONS OR THE FORFEITURE OF ANY OF THEIR RESPECTIVE PROPERTY OTHER THAN THE NET RECEIPTS IN CONNECTION WITH ANY DEFAULT ON THE SERIES 2024 BONDS.

The Master Trust Agreement authorizes the City to add to the System other Enterprises, including any existing or future facilities or systems related to such Enterprises, upon compliance with certain terms set forth in the Master Trust Agreement. The Master Trust Agreement also authorizes the withdrawal of an Enterprise (other than the City's water system and sewer system) from the System upon compliance with certain provisions set forth in the Master Trust Agreement. See "System; Addition of Enterprise to System" and "Removal of Enterprise from System" in **Appendix C** hereto. The City may also sell or dispose of and encumber certain components of the System upon compliance with the provisions set forth in the Master Trust Agreement. See "Covenant against Sale or Disposition; Exceptions" and the definition of Permitted Encumbrances in **Appendix C** hereto.

Pledge of Net Receipts

The Net Receipts of the System are pledged to the payment of, and as security for, the Series 2024 Bonds, the Series 2021 Bonds, the Series 2023 Bond and any other Indebtedness secured by the Master Trust Agreement (see ***“Parity Indebtedness”*** and ***“Subordinated Indebtedness”*** below). Pursuant to the terms of the Master Trust Agreement, to the extent permitted by statute or judicial decision, Net Receipts may also be pledged to the payment of, and as security for, Derivative Agreement obligations, subject to the provisions of the Master Trust Agreement.

Net Receipts for any particular period means the excess, if any, of Receipts after the payment of Current Expenses for such period. “Receipts” generally includes substantially all receipts, revenues, income, proceeds and money received in any period by or for the City in respect of the System, and all rights to receive the same, whether in the form of accounts receivable, contract rights or other rights, and the proceeds of such rights whether now owned or held or hereafter coming into existence. “Current Expenses” generally includes the City’s current expenses for the operation, maintenance and repair of the System as determined in accordance with generally accepted accounting principles, except that “Current Expenses” does not include reserves for extraordinary replacements and repairs, allowances for depreciation or amortization of financing expenses, deposits to any fund, account or subaccount created by the Master Trust Agreement or any Supplemental Agreement or debt service payments in respect of Parity Debt, Subordinated Indebtedness or System G.O. Indebtedness or installment financing contracts for any component of the System. See **Appendix C** hereto for complete definitions of “Receipts” and “Current Expenses.”

Funds and Accounts

Revenue Fund. The Revenue Fund is administered by the City and is not a Trustee-held fund. The City deposits all Receipts as received in the Revenue Fund.

Bond Fund. The Bond Fund is held by the Trustee and is composed of six separate accounts known as the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Parity Reserve Account. Each Supplemental Agreement authorizing a Series of Bonds will provide for the creation, to the extent applicable, of separate subaccounts within the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account relating to the Series of Bonds authorized by such Supplemental Agreement. Moneys held in such subaccounts are pledged to the payment of the principal of (whether at maturity or pursuant to mandatory sinking fund redemption) and interest on the Series of Bonds for which such subaccounts are established and do not secure other Series of Bonds or other Parity Debt.

Parity Reserve Account. Each Parity Resolution providing for the issuance or incurrence of Parity Indebtedness may provide that the Parity Indebtedness authorized thereby will be secured by the Parity Reserve Account or by a Special Reserve Account held by the Trustee. If any Parity Indebtedness is secured by the Parity Reserve Account, the City must fund the Parity Reserve Account in the amount equal to the Parity Reserve Account Requirement at the time of delivery and payment for such Parity Indebtedness. If the Parity Resolution authorizing Parity Indebtedness does not provide that such Parity Indebtedness will be secured by the Parity Reserve Account, such Parity Indebtedness will have no claim on the Parity Reserve Account.

THE SERIES 2024 BONDS WILL NOT BE SECURED BY THE PARITY RESERVE ACCOUNT OR A SPECIAL RESERVE ACCOUNT CREATED UNDER THE MASTER TRUST AGREEMENT.

Other Funds. A Project Fund and an Insurance and Condemnation Award Fund, each to be held by the Trustee, and a Capital Reserve Fund to be held by the City, are created under the Master Trust Agreement and the Third Supplemental Agreement. See “Creation and Use of Project Fund” and “Establishment of Other Funds” in **Appendix C** hereto.

Application of Receipts

The City will pay Current Expenses from Receipts deposited in the Revenue Fund, and Current Expenses will be a first charge against the Revenue Fund; provided, however, that the City may pay Current Expenses from any other legally available sources. Current Expenses will be paid as they become due and payable in conformity with the City’s applicable budgetary and payment procedures. At such time or times as are specifically provided for in the Master Trust Agreement or in any Supplemental Agreement, Parity Resolution, Subordinated Indebtedness Resolution or Derivative Agreement, the City will use amounts on deposit in the Revenue Fund to make the required deposits under such documents.

The Third Supplemental Trust Agreement provides that, with respect to the Series 2024 Bonds, the City will deposit with the Trustee from moneys held in the Revenue Fund the following amounts for application in the following order:

- (a) into the Series 2024 Subaccount of the Interest Account, on or before the 25th day of the month immediately preceding each Interest Payment Date, the interest payable on the Series 2024 Bonds on the next ensuing Interest Payment Date;
- (b) into the Series 2024 Subaccount of the Principal Account, on or before the 25th day of January immediately preceding each August 1 on which principal matures on the Series 2024 Bonds, the principal of all Serial Bonds coming due on the next ensuing August 1; and
- (c) into the Series 2024 Subaccount of the Sinking Fund Account, on or before the 25th day of January immediately preceding each August 1 on which the Series 2024 Bonds are subject to mandatory redemption pursuant to a Sinking Fund Requirement, the amount required to retire the Series 2024 Term Bonds to be called by mandatory redemption or to be paid at maturity on the next ensuing August 1 in accordance with the Sinking Fund Requirements.

The Trustee will also deposit to the credit of the Series 2024 Subaccount of the Redemption Account all amounts as are delivered to the Trustee by the City from time to time with instructions that such amounts be so deposited.

Moneys on deposit in the subaccounts mentioned above will be used to pay the scheduled payments of principal of and interest on the Series 2024 Bonds, including amounts payable pursuant to mandatory sinking fund redemption.

The deposits required by the Third Supplemental Trust Agreement mentioned above are subject to the provisions of the Master Trust Agreement governing the withdrawal and transfer of funds from the Revenue Fund as described in “Use of Money for Debt Service, Reserve Funds and Capital Reserve Fund” in **Appendix C** hereto.

Except during the continuation of an Event of Default, the City, in its discretion, may transfer in any month any balance remaining in the Revenue Fund at the end of the preceding month after making the deposits or payments required by the Master Trust Agreement, in whole or in part, to the City’s general fund or any fund or account designated by the City, provided that (1) a City Representative first certifies to the Trustee that, in the opinion of that City Representative, the transfer of such amount will not have a

material adverse effect on the City's ability during the following 12 calendar months to pay Current Expenses, to make the deposits required under the Master Trust Agreement and to meet all other financial obligations imposed by the Master Trust Agreement or any Parity Resolution and (2) the cumulative amount so transferred in any Fiscal Year will not exceed the total amount budgeted to be transferred from the Revenue Fund in such Fiscal Year as shown in the Annual Budget for such Fiscal Year. ANY FUNDS SO TRANSFERRED, OTHER THAN TRANSFERS MADE TO ANY ACCOUNT OR SUBACCOUNT OF THE BOND FUND, WILL NO LONGER BE SUBJECT TO THE PLEDGE, CHARGE AND LIEN UPON THE NET RECEIPTS CREATED BY THE MASTER TRUST AGREEMENT.

Parity Indebtedness

The Series 2024 Bonds will be payable on a parity with the Series 2021 Bonds, the Series 2023 Bond and any additional Parity Indebtedness hereafter issued or incurred by the City, including any additional Bonds issued under the Master Trust Agreement. Under the conditions and limitations set forth in the Master Trust Agreement and without the approval or consent of the Owners or Holders of Indebtedness, the City may issue or incur additional Parity Indebtedness secured by a pledge, charge and lien upon the Net Receipts on a parity with the Series 2024 Bonds. See "Limitation on Parity Indebtedness" in **Appendix C** hereto.

Subordinate Indebtedness

The City also has a State Loan and the Graham Obligations that constitute Subordinate Indebtedness for purposes of the Master Trust Agreement. Under the conditions and limitations set forth in the Master Trust Agreement and without the approval or consent of the Owners or Holders of Indebtedness, the City may issue or incur Subordinated Indebtedness which shall be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness to the extent and in the manner set forth in the Master Trust Agreement and that may be made payable from Net Receipts but only after the City has made the cash deposits required under the Master Trust Agreement to pay, among other things, principal of and interest on the Series 2024 Bonds and any other Parity Indebtedness, and the amounts required by the related documentation to make up any deficiencies in the Parity Reserve Account or any Special Reserve Account. See "Limitation on Subordinated Indebtedness" in **Appendix C** hereto.

System G.O. Indebtedness

System G.O. Indebtedness does not constitute Parity Indebtedness or Subordinated Indebtedness, and the Master Trust Agreement contains no limitations on the incurrence of System G.O. Indebtedness. On the issuance date of the Series 2024 Bonds, the City will not have any System G.O. Indebtedness outstanding.

Installment Debt

The City has also entered into the System Installment Obligations, which the City pays from revenues of the System. The System Installment Obligations constitute Installment Debt within the meaning of the Master Trust Agreement. The City's obligations under System Installment Obligations are secured solely by liens on four pick-up trucks, a vacuum truck and backhoe. In the event the City defaults on such indebtedness, the secured party under such System Installment Obligation may, as a remedy, exercise its right to foreclose on the secured property for the agreement. The City is of the opinion that the loss of these assets pursuant to a default and the resulting foreclosure process would not materially impact the City's ability to operate the System.

Rate Covenant

Under the Master Trust Agreement, the City has covenanted to fix, charge and collect Rates and, from time to time and as often as it appears necessary or appropriate, will revise its Rates, to meet the following requirements:

- (i) **120% on Parity Indebtedness** -- For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the sum of (A) the Income Available for Debt Service for that Fiscal Year and (B) 15% of the System Fund Balance, as shown on the Most Recent Audit, will be not less than 120% of the Long Term Debt Service Requirement for Parity Indebtedness for that Fiscal Year.
- (ii) **100% on Parity Indebtedness, Subordinate Indebtedness, Installment Debt and System G.O. Debt** -- For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the Income Available for Debt Service for that Fiscal Year will be not less than the sum of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinate Indebtedness and the debt service on all Installment Debt and System G.O. Debt for that Fiscal Year.

The City has further covenanted that Receipts will be sufficient in each Fiscal Year (1) to pay Current Expenses, (2) to make the cash deposits required to make the cash deposits required by Subordinate Indebtedness Resolutions with respect to the payment of interest on or principal of Subordinate Indebtedness, and (3) to make the cash payments required on all Installment Debt and System G.O. Debt.

If the City fails to comply with the Rate Covenant, then it shall (within 30 days of its receipt of the audit report required by the Master Trust Agreement request an Appropriate Consultant to make recommendations as to a revision of the Rates or the City's method of System operation designed to satisfy the Rate Covenant. The City need not comply with the Appropriate Consultant's recommendations, but the City must make changes that the City projects will result in compliance with the covenants. The City shall promptly advise the Trustee and the LGC of the actions the City has taken to address the failure to meet the Rate Covenant.

The City's failure to comply with the Rate Covenant will not be an Event of Default under the Master Trust Agreement unless (1) the City fails to meet the requirements for two consecutive Fiscal Years, and (2) the City fails to substantially comply with all the Appropriate Consultant's recommendations after the second consecutive (and any subsequent consecutive) Fiscal Year.

For more information on the City's debt outlook and capital improvement plans, see the Financial Feasibility Report in **Appendix B** hereto.

THE SERIES 2024 PROJECT

The Series 2024 Project consists of improvements and expansions to the City's water resource recovery facility (the "WRRF"). The WRRF currently has a design capacity of 2.5 million gallons daily ("MGD") with usage of 1.8 MGD. Proceeds of the Series 2024 Bonds will be used to finance a portion of the cost of expanding the capacity of the WRRF to 4.0 MGD. The City expects substantial completion of the expansion to occur in December 2027.

The total cost of expanding the WRRF is \$93.48 million of which the City expects to receive an appropriation from the State of \$2.10 million, federal American Rescue Plan Act funds of \$11.93 million, \$2.58 million from the City's Capital Projects Fund and \$7.0 million from the City's Capital Reserve Fund that holds system development fees. The City plans to fund the remaining amount on a pay-go basis.

For a discussion of the System's Capital Improvement Program, see Explanatory Note __ of **Appendix B** attached hereto.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources:

Par Amount of Series 2024 Bonds	\$
[Plus/Less] [Net] Original Issue [Premium/Discount]	
Total	\$

Uses:

Cost of the Series 2024 Project	\$
Costs of Issuance ⁽¹⁾	
Total	\$

⁽¹⁾ Includes Underwriters' discount, legal fees, financial advisor fees, printing costs, rating agency fees, fees and expenses of the Trustee, the Bond Registrar, and miscellaneous fees and expenses.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each Fiscal Year ending June 30 the amounts required for the payment of debt service related to the Series 2024 Bonds, Parity Indebtedness (the Series 2021 Bonds and the Series 2023 Bond), Installment Debt (the System Installment Obligations) and Subordinate Indebtedness (the State Loan and Graham Obligations). The City does not have any System G.O. Indebtedness outstanding. Totals may not foot due to rounding.

Fiscal Year Ending June 30,	Series 2024 Bonds		Parity Indebtedness ⁽¹⁾⁽²⁾	Installment Debt and Subordinate Indebtedness ⁽¹⁾⁽³⁾	Total
	Principal	Interest			
2024			\$1,184,225	\$307,138	
2025			1,622,052	400,225	
2026			1,620,367	485,749	
2027			1,622,459	464,291	
2028			1,621,873	398,026	
2029			1,622,606	391,761	
2030			1,621,658	304,849	
2031			1,260,296	227,403	
2032			1,261,527	227,403	
2033			1,261,027	213,906	
2034			1,260,796	86,493	
2035			1,259,834	86,493	
2036			1,261,088	86,493	
2037			1,260,504		
2038			438,469		
2039			439,064		
2040			438,989		
2041			438,245		
2042			438,832		
2043			438,661		
2044			438,732		
2045					
2046					
2047					
2048					
2049					
2050					
2051					
2052					
2053					
2054					
Total			\$22,811,306	\$3,894,125	

⁽¹⁾ Includes principal and interest.

⁽²⁾ Consists of the Series 2021 Bonds and the Series 2023 Bond.

⁽³⁾ Consists of System Installment Obligations, the State Loan and the Graham Obligations.

FINANCIAL FEASIBILITY REPORT

The Financial Feasibility Report (the “*Feasibility Report*”), which has been prepared by Stantec Consulting Services, Inc., is included in **Appendix B** hereto and should be read in its entirety. The forecasted operating results for the Fiscal Years ended June 30, 2024 through 2029 contained therein are based on certain assumptions discussed in the Feasibility Report. Certain of these assumptions may not materialize and unforeseen events and circumstances may occur subsequent to the date of the Feasibility Report. Therefore, there will usually be differences between the forecasted operating results and the actual operating results and these differences may be material.

The table on the following page, derived from the Feasibility Report included as **Appendix B**, shows the projected debt service coverage ratios for the Fiscal Years ended June 30, 2024 to 2029, inclusive.

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Fiscal Year Ending June 30								
	2024	2025	2026	2027	2028	2029	2030	
1 Operating Revenue								
2 Charges for Services (1)	\$ 9,272,506	\$ 10,282,957	\$ 12,453,733	\$ 15,008,199	\$ 17,949,021	\$ 21,327,925	\$ 25,203,119	
3 Water and Sewer Taps	29,000	18,000	18,000	18,000	18,000	18,000	18,000	
4 System Development Fees (2)	2,000,373	2,335,563	3,585,543	2,969,391	2,969,391	2,969,391	2,969,391	
5 Miscellaneous (3)	220,289	521,540	523,540	523,540	523,540	523,540	523,540	
6 Total Operating Revenue	\$ 11,522,169	\$ 13,158,060	\$ 16,580,817	\$ 18,519,130	\$ 21,459,951	\$ 24,838,855	\$ 28,714,050	
7 Operating Expenses (4)								
8 Personnel Services	\$ 3,001,670	\$ 4,199,007	\$ 4,094,790	\$ 4,217,634	\$ 4,344,163	\$ 4,474,488	\$ 4,608,722	
9 Professional Services	449,002	381,600	389,232	397,017	404,957	413,056	421,317	
10 Services and Contracts	559,816	1,341,440	1,368,269	1,395,634	1,423,547	1,452,018	1,481,058	
11 Supplies and Materials	2,978,627	3,028,048	3,118,889	3,212,456	3,694,325	3,805,154	3,919,309	
12 Equipment	52,671	172,000	175,440	178,949	182,528	186,178	189,902	
13 Other Operating Expense	279,886	509,394	519,582	529,974	540,573	551,384	562,412	
14 Total Operating Expense	\$ 7,321,673	\$ 9,631,489	\$ 9,666,202	\$ 9,931,663	\$ 10,590,092	\$ 10,882,279	\$ 11,182,721	
15 Non-operating Revenues (Expenses)								
16 Interest and Investment Revenue (5)	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670	
17 Total Non-operating Revenues (Expenses)	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670	
18 Net Revenue Available For Debt Service	\$ 4,446,178	\$ 3,626,571	\$ 7,022,466	\$ 8,692,154	\$ 11,006,320	\$ 14,127,510	\$ 17,798,999	
19 Add: 15% of Unrestricted Net Position (line 40 * 15%)	\$ 1,264,653	\$ 808,891	\$ 785,159	\$ 1,023,454	\$ 1,282,003	\$ 2,007,528	\$ 3,282,401	
20 Net Revenue Available For Debt Service	\$ 5,710,831	\$ 4,435,462	\$ 7,807,625	\$ 9,715,609	\$ 12,288,323	\$ 16,135,039	\$ 21,081,400	
21 Parity Debt Service Coverage Test								
22 Existing Parity Debt	1,184,225	1,183,356	1,182,238	1,183,849	1,183,183	1,184,238	1,183,012	
23 Series 2023 Bonds (6)	-	438,696	438,129	438,610	438,690	438,369	438,646	
24 Series 2024 Bonds (7)	-	783,548	3,099,750	3,099,750	4,533,000	4,537,500	4,533,125	
25 Future Parity Debt (8)	-	-	-	-	-	165,000	165,000	
26 Total Annual Parity Debt Service	\$ 1,184,225	\$ 2,405,600	\$ 4,720,117	\$ 4,722,209	\$ 6,154,873	\$ 6,325,106	\$ 6,319,783	
27 Parity Debt Service Coverage (line 20 / 26) with 15% Net Assets Required 1.20	4.82	1.84	1.65	2.06	2.00	2.55	3.34	
28 Parity Debt Service Coverage (line 18 / 26) without 15% Net Assets	3.75	1.51	1.49	1.84	1.79	2.23	2.82	
29 Total All-In Debt Service Coverage Test								
30 Total Parity Debt Service	\$ 1,184,225	\$ 2,405,600	\$ 4,720,117	\$ 4,722,209	\$ 6,154,873	\$ 6,325,106	\$ 6,319,783	
31 Current Outstanding Other Debt (9)	282,209	282,209	282,209	282,209	232,209	232,209	227,403	
32 Other Indebtedness (Graham WWTP) (10)	-	232,073	232,073	232,073	232,073	232,073	232,073	
33 Vehicle Lease (11)	24,930	118,016	203,541	224,813	208,548	202,282	154,822	
34 Total Annual Debt Service	\$ 1,491,364	\$ 3,037,898	\$ 5,437,939	\$ 5,461,304	\$ 6,827,703	\$ 6,991,670	\$ 6,934,081	
35 Total Debt Service Coverage (line 18 / 34) Required 1.00 (12)	2.98	1.19	1.29	1.59	1.61	2.02	2.57	
36 Other Below the Line Expenses								
37 Cash Funded Capital (Operating Fund)	\$ 1,425,479	\$ 1,789,469	\$ 1,150,000	\$ 790,000	\$ 1,270,000	\$ 1,965,000	\$ 2,080,000	
38 Cash Funded Capital (Capital Reserve Fund)	402,859	7,226,885	552,940	818,250	936,075	59,800	2,471,840	
39 Net Cash Flow	\$ 1,126,477	\$ (8,427,681)	\$ (118,413)	\$ 1,622,601	\$ 1,972,542	\$ 5,111,040	\$ 6,313,078	
40 Ending Unrestricted Cash Balance (13)	\$ 8,431,018	\$ 5,392,609	\$ 5,234,391	\$ 6,823,028	\$ 8,546,687	\$ 13,383,522	\$ 21,882,672	
41 Ending Restricted Cash Balance (14)	\$ 7,137,249	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835	\$ 158,763	
42 End of Year - Unrestricted Days Cash on Hand	420	204	198	251	295	449	714	
43 End of Year - Total Days Cash on Hand	776	271	265	318	366	528	719	

Notes to Projected Operating Results:

- (1) FY 2024 charges for service reflect estimated actuals for the fiscal year. FY 2025 charges for service reflect the City's adopted budget. Future years are based on forecasted increases in rates and increases in billed volumes. Table 16 of the Feasibility Report presents the projected rate increases and changes in volumes.
- (2) System Development Fees for FY 2024 are estimated actuals for the fiscal year. Future years are based on adopted fees, estimated future fees and estimated growth in connections to the City's utility systems. Growth projections are discussed in Section 4 of the Feasibility Report.
- (3) Miscellaneous includes reconnection fees, penalties/late fees, industrial monitoring, construction inspections fees, fire flow test fees and sale of materials. FY 2025 is based on the budget with future years remaining flat.
- (4) Operating expenses based on FY 2024 estimated actuals and the FY 2025 adopted budget, unless otherwise noted. Future years based on estimates of inflation by expenditure type. Assumptions are discussed in Section 7 of the Feasibility Report.
- (5) FY 2025 interest is based on the FY 2025 adopted budget. Future years are projected using fund balance and anticipated interest earnings rates.
- (6) Series 2023 Bonds were used to finance the construction of a new elevated storage tank.
- (7) Series 2024 Bonds financing of the City's expansion of the Water Resource Recovery Facility. Assumes project amount of \$67.26 million, 25-year term and 4.33% interest rate with interest only payments in FY 2025, FY 2026 and FY 2027. Sources and uses are shown in Table 8 of the Feasibility Report.
- (8) Future bonds for System projects discussed in Section 5 of the Feasibility Report.
- (9) Payments to the City of Graham for water and sewer system capacity.
- (10) Future payments to the City of Graham for additional sewer system capacity. Assumes a 30-year term for the \$6.79 million purchase of capacity at 0.16% interest rate.
- (11) Vehicle and equipment leases including existing and future installment loans. Future installment loans assume a 5-year term at 5% interest rate.
- (12) Coverage excludes 15% of net position per Master Trust Agreement.
- (13) The unrestricted cash balance reflect the ending balance in the City's Operating Fund and excludes non-cash items and cash within the City's Capital Projects Fund.
- (14) The restricted cash balance reflect the ending balance in the City's Capital Reserve Fund which is funded from System Development Fees and is restricted for use on capital expenditures.

THE SYSTEM

General

The System is owned and operated by the City. The Mebane Public Utilities Department has 15 full-time employees and one part-time employee. The Director and his staff oversee the daily operations and maintenance of the System.

- Kyle Smith, P.E. - Public Utilities Director
 - Kyle Smith graduated in 2002 from North Carolina State University's Biological and Agricultural Engineering Department with a bachelor's degree in Agricultural and Environmental Technology. Mr. Smith is a licensed professional civil engineer and maintains several North Carolina water and wastewater certifications, including a Grade IV Collections Operator, A-Water Distribution Operator and Cross Connection Control System Operator. He began working in local government for the City in July 2018, serving as the Public Utilities Director. Prior to working for the City, Mr. Smith was an engineer with Alley, Williams, Carmen, & King, Inc. (“AWCR”), an engineering consulting firm, for over 12 years, providing private and municipal engineering services to many municipalities, including the City. He also worked for the North Carolina Department of Transportation and Michael Baker International as an engineering technician before working with AWCR. He is a member of the North Carolina Rural Water Association and the North Carolina Section of the American Water Works Association.
- John Dodson - Water Resources Director
 - John Dodson has his Bachelor of Science in Environmental Resource Management from Pennsylvania State University. He also maintains several North Carolina Wastewater certifications including Grade IV Biological Wastewater treatment, Land Application of Biosolids and Surface Irrigation. Mr. Dodson has over 26 years serving various public utility operations and management roles and was the plant superintendent for the City of Durham, North Durham Water Reclamation Facility for 17 years before joining the City in 2023.
- Franz Holt, P.E. - City Engineer
 - Franz Holt is a registered Professional Engineer in the State of North Carolina. After graduating from the University of North Carolina at Charlotte, he began working with AWCR, where he currently serves as President of the Board of Directors. Mr. Holt has 40 years of engineering experience in the private and public sectors as a design engineer and consultant. He and AWCR have served as the City Engineer for eight and 40 years, respectively.

The City’s finance department is responsible for billing and collections for the System. The City Council sets rates for all utilities. No State or other regulatory authority has any control over the rates set for the System.

The City retained outside consultants to prepare a long range utility for the System, which was completed in July 2024.

For information on demand for the System and historical and projected rates, see **Appendix B** hereto.

Water System

The City maintains 50% ownership in the Graham—Mebane Lake (raw water supply) and the water treatment plant (the “WTP”). The City of Graham (“Graham”) operates and maintains the WTP and the related dam/intake/reservoir. The WTP can deliver 12 million gallons daily (“MGD”) of treated water to the customer base. Current water use by the City and Graham is 4.5 MGD with 4.9 MGD of raw water withdrawal from the reservoir. Emergency connections are in place with the City of Burlington and the Orange-Alamance Water System.

The City’s Public Utility Department maintains 137 miles of public water lines ranging in size from 2-inch to 24-inch and pumping capacity at the WTP of 5.2 MGD. The City plans to have an elevated water storage capacity in 2025 of 1.3 million gallons. The WTP has available storage of three million gallons.

Sewer System

The City operates and maintains the WRRF, which has a current design capacity of 2.5 MGD, which will be expanded to 4.0 MGD with the Series 2024 Project. The City has also purchased allocation in Graham’s wastewater treatment plant (the “Graham WTP”) of 0.75 MGD. The City’s current use is approximately 1.8 MGD at the WRRF and 50,000 gallons per day at the Graham WTP.

The City operates and maintains 21 duplex and triplex wastewater pump systems ranging from 50 gallons per minutes (“GPM”) to 1,745 GPM and 28-miles of force main (3-inch to 16-inch). The City’s gravity wastewater collection system includes 126 miles of 8-inch to 24-inch lines.

TOP TEN CUSTOMERS

Top Ten Water Customers Fiscal Year 2024 Unaudited.

Rank ⁽¹⁾	Customer	Consumption	% of Total	Billed Amount (Unaudited)	% of Total
1	Airgas USA LLC	34,634,000	5.55%	\$ 261,833	5.71%
2	GKN Inc	23,991,000	3.84%	181,372	3.96%
3	Liggett Group Inc	18,840,000	3.02%	142,430	3.11%
4	Wal-Mart Stores East Lp ⁽²⁾	7,181,000	1.15%	102,500	2.24%
5	Novo Health Services LLC	12,617,700	2.02%	95,390	2.08%
6	Nyro Carolina	8,522,000	1.37%	64,426	1.41%
7	Morinaga America Foods Inc	7,498,000	1.20%	56,685	1.24%
8	4 POINTS OF NC 2	4,949,000	0.79%	37,414	0.82%
9	ABB Inc	4,936,000	0.79%	37,324	0.81%
10	1Thermo Fisher	4,867,000	0.78%	36,795	0.80%
Total (Top 10 Customers)		128,035,700	21%	\$ 1,016,169	22%
Total (All Water Customers)		624,008,000		\$4,581,764	

Top Ten Sewer Customers Fiscal Year 2024 Unaudited

Rank ⁽¹⁾	Customer	Consumption	% of Total	Billed Amount (Unaudited)	% of Total
1	GKN Inc	23,991,000	4.49%	\$ 186,484	3.98%
2	Liggett Group Inc	18,840,000	3.52%	152,981	3.26%
3	ABB Inc	9,872,000	1.85%	80,161	1.71%
4	Thermo Fisher	9,734,000	1.82%	79,040	1.69%
5	Morinaga America Foods Inc	7,498,000	1.40%	60,884	1.30%
6	Novo Health Services LLC	12,617,700	2.36%	51,228	1.09%
7	4 POINTS OF NC 2	4,949,000	0.93%	40,186	0.86%
8	Bd Tripath	4,739,000	0.89%	38,481	0.82%
9	Mebane Mill Lofts	4,056,000	0.76%	32,935	0.70%
10	Metokote Corporation DBA PPG	4,029,000	0.75%	32,715	0.70%
Total (Top 10 Customers)		100,325,700	19%	\$ 755,093	16%
Total (All Sewer Customers)		534,489,000		4,690,742	

⁽¹⁾ Rank based on billed amount.

⁽²⁾ Wal-Mart Stores East Lp billed amount reflects minimum annual payment per existing agreement. Currently, the City of Mebane provides water service and the City of Graham provides sewer treatment service.

THE CITY

General Description

The City of Mebane (the “City”) is located in the State of North Carolina (the “State”) on the Interstate 85/40 corridor between two metropolitan areas, the Triangle (Raleigh, Durham and Chapel Hill) and the Triad (Greensboro, Winston-Salem and High Point). The City is located about 45 minutes west of Raleigh, the State’s capital, 20 minutes west of Research Triangle Park, a 7,000-acre global innovation center, and 20 minutes east of Greensboro, the State's third largest city. The City has a land area of approximately 12 square miles located mainly in Alamance County, with approximately 28% of its population in Orange County.

Governance

The City is governed by the council-manager form of government. Policymaking and legislative authority are vested in the City Council, consisting of the Mayor and five Council Members. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's manager and attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, overseeing the day-to-day operations of the City, and appointing the heads of the various departments. Five Council Members and the Mayor are elected to four-year staggered terms. The Council then selects the Mayor Pro-tem from within the Council membership.

Demographic Characteristics

GENERAL DEMOGRAPHIC INFORMATION

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	Median value of owner-occupied <u>housing</u> ⁽²⁾	Median Family <u>Income</u> ⁽³⁾	<u>Median Age</u> ⁽³⁾
2019	15,589	\$193,500	\$60,851	34.8
2020	16,262	195,800	54,157	34.2
2021	17,472	189,600	64,729	34.7
2022	18,116	202,900	61,213	35.3
2023	19,338	223,300	69,947	35.8

Note: Many of these data elements are not published annually for cities. Data is estimated using the ratio of the City to Alamance County from the 2020 census and the 2005-2014 American Community Survey.

Notes:

- (1) Office of State Management and Budget, North Carolina Department of Revenue.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis. United States Census Bureau, most recent available census data.
- (3) North Carolina Employment Security Commission, Local Area Unemployment Statistics.

The following table shows the total taxable retail sales for Alamance County during the most recent five fiscal years for which information is available:

TAXABLE RETAIL SALES

<u>Fiscal Year</u>	<u>Total Taxable Retail Sales</u>	<u>Increase over Previous Year</u>
2020	\$2,586,791,531	0.6%
2021	3,141,095,928	21.4
2022	3,433,450,050	9.3
2023	3,568,867,246	3.9
2024	3,683,361,207	3.2
2025	323,528,696 ⁽¹⁾	

Source: North Carolina Department of Revenue, Sales and Use Tax Division. Separate data for the City not available.

⁽¹⁾ For the one-month period ended July 30, 2024. The comparable figure for the one-month period ended July 30, 2023 was \$325,507,026.

During the COVID-19 pandemic, sales tax collections in the State exceeded expectations with shifts in consumer spending and the direct stimulus support given to households. Inflation has also led to higher sales tax collections. However, sales tax collections are highly dependent upon consumer spending and consumer confidence and there is no guarantee that the trend of increasing sales tax collections will continue.

TOP TEN TAXPAYERS AS OF JUNE 30, 2023

<u>Employer</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Valuation</u>
Lotus Bakeries US LLC	Natural Snack Product Manufacturing	\$89,680,372	3.07%
MRE Propco LP	Healthcare Supplies Manufacturing	86,510,700	2.96
Keystone at Mebane Oaks, LLC	Apartment Complex	82,781,555	2.84
XPXII Greensboro Logistics	Freight and Logistics Service	76,808,168	2.63
GKN Automotive Components	Auto Components Manufacturing	66,975,421	2.29
Industrial Connections & Solutions LLC	Electronics Manufacturing	60,899,638	2.09
Liggett Group LLC	Tobacco Manufacturing	60,654,969	2.08
Wal-Mart	Retail	59,048,891	2.02
Cambro Manufacturing Co	Foodservice Supplies Manufacturing	52,456,539	1.80
Tanger Properties LMTD Partner	Retail	<u>44,611,519</u>	<u>1.53</u>
		\$680,427,772	23.31%

Commerce and Industry

The City benefits from its proximity to the Triangle and the Triad along the Interstate 85/40 corridor. As evidence of the attractiveness of the location, the first location in the State for Texas-based mega convenience store company Buc-ee's will be in the City. The company is planning to construct a 74,000 square-foot travel plaza with 120 gasoline pumps on a 34-acre site. Certain road improvements must be completed before construction can commence.

Swiss-Swedish company ABB is the City's largest employer. It acquired a facility in the City from General Electric that it operates for the manufacture of electrification products. The company recently invested \$40 million in a 200,000 square-foot expansion of the facility.

Sports Endeavors, the City's second largest employer, includes various sports equipment brands such as soccer.com, WorldSoccerShop and 431 Sports. The company maintains a 200,000 square-foot customer fulfillment center in the City with capacity for professional embroidery, silk screening and heat press customization. The facility also serves as the shipping location for all of the company's brands.

AKG Group, another large employer in the City, is a worldwide manufacturer of heat exchangers. AKG of America, Inc. was founded in the City in 1977. Since its founding, the facility has continued to expand, including with the addition of the North American Research & Development Center in 2018.

GKN Automotive is a leading global automotive technology company that pioneered electric drive systems. It operates a manufacturing facility in the City. In March 2024, GKN Driveline announced that it would be closing its manufacturing plant in Roxboro, North Carolina at the end of 2024 and consolidating those operations with its facility in the City. The City has stated that all 247 employees at the Roxboro plant will be offered positions at the facility in the City.

Lotus Bakeries is the largest taxpayer in the City. The Belgian company, known for its Biscoff cookies served on many airlines, opened a manufacturing facility in the City in 2019. The company has since expanded its facility by 171,000 square feet, adding two production lines, warehouse operations and employee amenities.

Three economic development zones with a combined area of over 3,000 acres are available in the City. The North Carolina Commerce Park is a 1,200-acre industrial park, which benefited from \$12 million in infrastructure jointly funded by the City, Graham and Alamance County. It is home to a number of companies, including United Parcel Service, Buc-ee's, Amazon, Walmart, Crow Holdings, Lidl and the Sunlight Group. North Carolina Industrial Center ("NCIC") is a 900-acre industrial park that is home to a number of warehouses and distribution centers, including Universal Perserv-A-Chem, a provider of raw materials and chemicals for the personal care, food and pharmaceutical industries; Kidde, a manufacturer of smoke alarms and fire safety products; Jabil, a fabrication company; Ferraro Foods, a food products supplier; and Lotus Bakeries. The Buckhorn Economic Development District consists of 900 acres of developable land and is currently home to Medline, a medical supply company; STIHL, a power tool company; Thermo Fisher Scientific, a biotechnology company; and ABB Technology, a leader in electrification and automation.

In addition, the 91-acre Carolina Central Industrial Park has over 700,000 square feet of existing space. It is home to a number of corporations, including Sandvik, a manufacturer of tools and machining solutions; Liggett Vector Brands, a marketer and distributor of tobacco; Smart Courier, which provides logistics and courier services; Alliance MOCVD, a designer and manufacturer of thin film process equipment; and Precision Concept, a manufacturer of plastic products.

Homebuilding and retail are vital to the local economy. Tanger Outlet, which has 36 outlet centers in the United States, has two locations in the State, one of which is located in the City.

Employment

The following table lists the ten largest employers in Alamance County as of June 30, 2023:

TOP TEN EMPLOYERS AS OF JUNE 30, 2023

<u>Employer</u>	<u>Type</u>	<u>Approximate Number of Employees</u>
ABB (General Electric)	Electronics Manufacturing	805
Sports Endeavors	Sports Equipment Fulfillment	631
Wal-Mart Distribution	Retail	594
AKG of America	Heating Prods. Manufacturing	430
GKN	Automotive Prods. Manufacturing	429
Armacell	Insulation Manufacturing	297
Liggett Group LLC	Tobacco Manufacturing	290
Medline	Medical Supplies	250
Moringa	Candy Manufacturing	228
Jabil (Nypro)	Packaging/Device Manufacturing	225

Source: Human Resource Directors – City staff contact by phone or email.

UNEMPLOYMENT

The North Carolina Department of Commerce, Division of Employment Security has estimated the percentage of unemployment (not seasonally adjusted) in Alamance County as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
January	3.8%	6.1%	4.1%	3.8%	3.6%
February	3.6	6.0	3.8	3.7	3.7
March	4.5	5.4	3.5	3.5	3.7
April	13.5	4.9	3.3	2.9	3.3
May	11.8	5.0	3.6	3.4	3.5
June	9.9	5.5	4.0	3.6	4.1
July	9.1	5.3	4.2	3.6	4.3
August	6.8	5.0	4.3	3.7	4.3
September	6.2	4.2	3.5	3.2	
October	5.4	4.2	3.7	3.4	
November	5.4	3.9	3.6	3.4	
December	5.6	3.3	3.3	3.2	

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

Alamance County, State and national unemployment figures during the same period are shown in the below table:

COUNTY, STATE AND NATIONAL UNEMPLOYMENT

<u>Year</u>	<u>City</u>	<u>State</u>	<u>U.S.</u>
2021	5.7%	4.9%	5.4%
2022	4.5	3.7	3.7
2023	5.2	3.5	3.6

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

Education

The City is served by the Alamance-Burlington School System and Orange County Public Schools. Four elementary schools in the Alamance-Burlington School System and one middle school in the Orange County Public Schools are located within the City. Alamance Community College (“ACC”) is located approximately 11 minutes outside of the City. ACC offers more than 40 curriculum programs, including nursing, medical laboratory technology, mechatronics, machining, accounting, criminal justice, early childhood development and animal care.

Transportation

Two international airports, Raleigh-Durham International Airport, 35 miles to the southeast, and Piedmont Triad International Airport in Greensboro, 25 miles to the west, are within an approximately 40-minute drive from the City. Burlington-Alamance Regional Airport (the “*Regional Airport*”) is located in Alamance County. Improvements in the amount of \$112.6 million are underway at the Regional Airport and are expected to be completed in 2024.

The North Carolina Railroad runs through the City and provides rail transport for freight and passengers. In addition, the ports of Wilmington and Morehead City are about three hours away.

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Construction Activity

Construction activity in the City is shown in the following table, which summarizes the number and value of building permits for new construction issued in the City in the calendar years shown:

CONSTRUCTION

<u>Commercial</u>		<u>Residential</u>					
				<u>Single</u>	<u>Multi-Family</u>		
<u>Year</u>	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Total</u>
2019	8	\$ 8,385,448	183	\$38,182,507	66	\$2,068,800	\$48,636,755
2020	7	31,311,616	318	63,218,174	0	0	94,529,790
2021	11	43,750,923	393	67,221,253	112	2,134,300	113,106,476
2022	19	81,326,332	333	72,915,397	0	0	154,241,729
2023	31	111,519,751	253	54,319,203	48	2,885,001	168,723,955

Note: Mobile homes are excluded from figures.

Source: County Building Inspection Department. Data compiled by the Alamance County Planning Department.

Cybersecurity

The City, like many other large public and private entities, faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems. These threats could result in adverse consequences to the City, including but not limited to, operational disruption and misappropriation of assets or information. The City has implemented multiple operational safeguards and cybersecurity procedures. The City has implemented multiple operational safeguards and cybersecurity procedures and has not recently experienced any known breaches or incidents. However, no assurances can be given that such measures will protect against, or mitigate the impact of, the financial or operational damages that could result from a cybersecurity attack.

Climate Change

The State is susceptible to the effects of extreme weather events and natural disaster, including floods, droughts, winter storms and hurricanes, which could result in negative economic impacts on the City and its customers. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as “climate change”). No assurance can be given that a future extreme weather event driven by climate change will not adversely affect the operations of City or its customers.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 (“*Rule 15c2-12*”), in the Third Supplemental Trust Agreement, the City will undertake, for the benefit of the beneficial owners of the Series 2024 Bonds, to provide to the Municipal Securities Rulemaking Board (“*MSRB*”) through the Electronic Municipal Market Access (“*EMMA*”) system:

(a) by not later than seven months from the end of each of the City’s Fiscal Years, beginning with the Fiscal Year ended June 30, 2024, audited financial statements of the City for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes or, if such audited financial statements are not available by seven months from the end of any fiscal year, unaudited financial statements of the City for such fiscal year, to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each of the City’s Fiscal Years, beginning with the Fiscal Year ended June 30, 2024, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year (which data must be prepared at least annually, must specify the date as to which such information was prepared and must be delivered with any subsequent material events notices specified in subparagraph (c) below) for the type of information included under the following headings in this Official Statement under the following captions:

(1) Debt Service Coverage as found in **Appendix B** in Table 1 titled “Historical Operating Results and Debt Service Coverage;

(2) Current water user rates and sewer user rates as found in **Appendix B** under the caption “Water and Sewer User Rates”; and

(3) Current system development user rates as found in **Appendix B** under the caption “System Development Rates” and

(4) The number of historical Water Accounts and Sewer Accounts as found in **Appendix B** in Table 3.

in all cases to the extent those items are not included in the audited financial statements referred to in (a) above;

(c) in a timely manner, not in excess of ten Business Days after the occurrence of the event, notice of any of the following events with respect to the Series 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 any credit enhancements reflecting financial difficulties;

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

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Series 2024 Bonds, or other material events affecting the tax status of the Series 2024 Bonds;

(7) modifications to rights of the beneficial owners of the Series 2024 Bonds, if material;

(8) calls for redemption of Series 2024 Bonds (other than calls pursuant to sinking fund redemption), if material, and tender offers;

(9) defeasances;

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

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar proceedings related to the City, the Trustee or any other person or entity that may at any time become legally obligated to make Bond Payments (collectively, the “*Obligated Persons*”);

(13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

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

(15) incurrence of a financial obligation (as defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect Bondholders, if material; and

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

(d) in a timely manner, not in excess of ten Business Days after the occurrence of the failure, notice of a failure of the City to provide required annual financial information described in (a) or (b) above on or before the date specified.

“Financial obligation” 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 an obligation described in either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended.

For the purposes of the events identified in subparagraph (c)(12) above, the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state

or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

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

If the City fails to comply with the undertaking described above, the Trustee may take action to protect and enforce the rights of all the beneficial owners of the Series 2024 Bonds with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking will not be an Event of Default and will not result in any acceleration of payment of the Series 2024 Bonds. All actions will be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2024 Bonds.

The City must provide the documents and other information referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The City may discharge its undertaking as set forth in this Section by providing such information in any manner that the United States Securities and Exchange Commission subsequently authorizes in lieu of the manner described above.

The City reserves the right to modify from time to time the information to be provided, or the presentation of the information to be provided, to the extent necessary or appropriate in the City's judgment, provided that:

(A) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City;

(B) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of the final Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(C) any such modification does not materially impair the interests of the beneficial owners, as determined by the Trustee, by Bond Counsel, or by the approving vote of the registered owners of a majority in principal amount of the Series 2024 Bonds pursuant to the terms of the Master Trust Agreement and the Third Supplemental Agreement, as they may be amended from time to time, at the time of the amendment.

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

The undertakings described above will terminate upon payment, or provision having been made for payment, in a manner consistent with Rule 15c2-12, in full of all of the Series 2024 Bonds.

In the last five years the City has not been subject to any continuing disclosure undertakings made pursuant to Rule 15c2-12.

LEGAL MATTERS

Certain legal matters related to the authorization and issuance of the Series 2024 Bonds are subject to the approving legal opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the City (“*Bond Counsel*”). Certain legal matters will be passed upon for the City by Lawson Brown, Esq., Mebane, North Carolina, City Attorney, and for the Underwriters by Moore & Van Allen PLLC, Charlotte, North Carolina, counsel to the Underwriters.

Bond Counsel’s approving legal opinion will be provided at the City’s expense and will be available at the time of the delivery of the Series 2024 Bonds. The proposed form of Bond Counsel’s approving opinion is attached as **Appendix E**. Bond Counsel’s approving legal opinion expresses Bond Counsel’s professional judgment as to the legal issues explicitly addressed in the opinion. By rendering a legal opinion, an opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Additionally, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction and a bond opinion is not a statement (either expressly or by implication) concerning the marketability, value or likelihood of payment of the Series 2024 Bonds.

Bond Counsel has not been engaged to investigate the City’s operations or condition or the City’s ability to provide for payments on the Series 2024 Bonds. Bond Counsel will express no opinion (1) as to the City’s ability to provide for payments on the Series 2024 Bonds, or (2) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in making a decision to purchase Series 2024 Bonds, including this Official Statement. In this transaction, Bond Counsel will serve only as bond counsel to the City, and will not represent any other party.

LITIGATION

No litigation is now pending or, to the best of the City’s knowledge, threatened against or affecting the City seeking to restrain or enjoin the authorization, execution or delivery of the Series 2024 Bonds, the Third Supplemental Trust Agreement or contesting the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2024 Bonds, the Master Trust Agreement, the Third Supplemental Trust Agreement or the City’s creation, organization or corporate existence, or the title of any of the City’s present officers to their respective offices, or the City’s authority to carry out its obligations thereunder, or which would have a material adverse impact on the City’s condition, financial or otherwise.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the City (“*Bond Counsel*”), under existing law, interest on the Series 2024 Bonds (1) will not be included in gross income for federal income tax purposes, and (2) will be exempt from existing State of North Carolina income taxation. Interest on the Series 2024 Bonds is not a separate tax preference item for purposes of the federal 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,” as defined below) for the purpose of computing the alternative minimum tax imposed on corporations for tax years that begin after December 31, 2022.

Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the Series 2024 Bonds.

Bond Counsel will give its opinion in reliance upon certification by City representatives and others as to certain facts relevant to the opinion and to the requirements of the United States Internal Revenue Code of 1986, as amended (the “Code”). The City has covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the Series 2024 Bonds and the timely payment to the United States of any arbitrage profit with respect to the Series 2024 Bonds. The City’s failure to comply with such covenants could cause interest on the Series 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2024 Bonds.

Discount Bonds

The initial public offering prices of the Series 2024 Bonds maturing on August 1, 20__ (the “Discount Bonds”) are less than the respective amounts payable at maturity. An amount not less than the difference between the initial public offering prices of the Discount Bonds and the amounts payable at maturity constitutes original issue discount (“OID”). Owners of Discount Bonds should consult their own tax advisors as to the determination for federal tax purposes of the amount of OID properly accruing each year with respect to the Discount Bonds and as to federal tax consequences and the treatment of OID for State of North Carolina and local tax purposes.

Premium Bonds

The Series 2024 Bonds maturing on August 1, 20__, inclusive (the “Premium Bonds”), are greater than the amounts payable at maturity. The difference between the amount payable at maturity of the Premium Bonds and the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) who purchases the Premium Bonds at the initial offering price is “Bond Premium.” Bond Premium is amortized over the term of the Premium Bonds for federal income tax purposes. Owners of the Premium Bonds are required to decrease their adjusted basis in the Premium Bonds by the amount of amortizable Bond Premium attributable to each taxable year the Premium Bonds are held. Owners of the Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of the Premium Bonds and with respect to State of North Carolina and local tax consequences of owning and disposing of the Premium Bonds.

Bond Counsel’s opinion will not specifically address the tax treatment of OID or Bond Premium, or the status of any particular receipt or payment as the receipt or payment of OID or Bond Premium.

Other Tax Consequences

In addition to the matters addressed above, prospective purchasers of the Series 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2024 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Interest on the Series 2024 Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the Series 2024 Bonds should consult their own tax advisors as to the status of interest on the Series 2024 Bonds under the tax laws of any such jurisdiction other than North Carolina.

LEGALITY FOR INVESTMENT

Section 159-140 of the General Statutes of North Carolina provides that the Series 2024 Bonds are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and all insurance companies, trust companies, investment companies, banks, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the Series 2024 Bonds are securities which may properly and legally be deposited with and received by any State of North Carolina or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is now or may hereafter be authorized by law.

RATINGS

Moody's Investors Services ("*Moody's*") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("*S&P*"), have given the Series 2024 Bonds the respective ratings set forth on the front cover. Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The City has provided to Moody's and S&P certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the Series 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. Such action may have an adverse effect on the market price of the Series 2024 Bonds. Neither the City nor the Underwriters have undertaken any responsibility after the issuance of the Series 2024 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

UNDERWRITING

The Underwriters have entered into a Bond Purchase Agreement to purchase all of the Series 2024 Bonds, if any of the Series 2024 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, plus [net] original issue premium of \$ _____ and less an Underwriters' discount of \$ _____. The obligation of the Underwriters to pay for the Series 2024 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

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.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("*WFBNA*"), one of the Underwriters of the Series 2024 Bonds, has entered into an agreement (the "*WFA Distribution Agreement*") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("*WFA*"), for the distribution of certain municipal securities offerings, including the Series 2024 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2024 Bonds with WFA. WFBNA has also entered into an agreement (the "*WFSLLC Distribution Agreement*") with its affiliate Wells Fargo Securities, LLC ("*WFSLLC*"), for the distribution of municipal securities offerings, including the Series 2024 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters may offer and sell the Series 2024 Bonds to certain dealers (including dealers depositing the Series 2024 Bonds into investment trusts) and others at prices lower than 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 Underwriters.

MISCELLANEOUS

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2024 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement other than those made in **Appendix D** hereto.

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

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APPENDIX A

FINANCIAL INFORMATION OF THE CITY

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City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

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

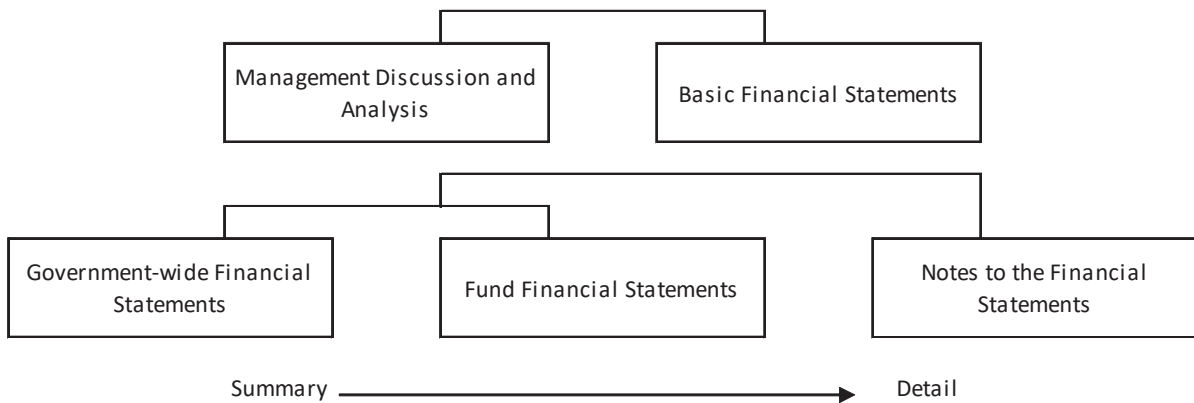
Financial Highlights

- The assets and deferred outflows of resources of the City of Mebane exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$149,847,750 (net position).
- The government’s total net position increased by \$15,815,311, due to increases in the government type net position of \$7,663,639 and increases in the business type activities net position of \$8,151,672.
- As of the close of the current fiscal year, the City of Mebane’s governmental funds reported combined ending fund balances of \$24,829,745, an increase of \$3,960,294 in comparison to \$4,455,321 in the prior year. Approximately 25.6 percent of this total amount, or \$6,348,124, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,989,170 or 50.6 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report (Figure 1)



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City’s financial status.

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer services offered by the City of Mebane.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. 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 that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Mebane adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Mebane has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Mebane uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

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 begin on page 24 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Mebane’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

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

Government-Wide Financial Analysis

City of Mebane’s Net Position (Figure 2)

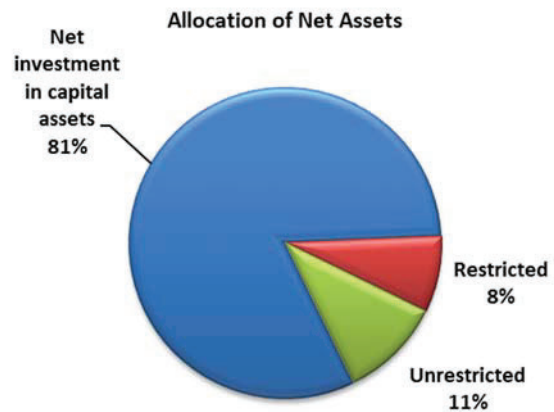
	Governmental Activities			Business-Type Activities			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Current and other assets.....	\$ 22,680,271	\$ 21,553,090	\$ 17,108,874	\$ 12,097,809	\$ 11,173,521	\$ 8,495,903	\$ 34,778,080	\$ 32,726,611	\$ 25,604,777
Non-current assets.....	5,713,414	2,761,091	2,077,097	9,425,907	14,484,677	3,136,703	15,139,321	17,245,768	5,213,800
Capital assets.....	69,241,769	64,738,517	60,583,002	72,576,174	61,138,183	54,987,245	141,817,943	125,876,700	115,570,247
Total assets	97,635,454	89,052,698	79,768,973	94,099,890	86,796,381	66,619,851	191,735,344	175,849,079	146,388,824
Deferred outflows of resources.....	9,128,573	8,237,052	6,984,654	1,347,157	1,187,413	971,957	10,475,730	9,424,465	7,956,611
Long-term liabilities outstanding.....	23,977,497	22,886,748	22,991,907	18,073,630	19,009,149	8,841,303	42,051,127	41,895,897	31,833,210
Other liabilities.....	2,779,114	2,772,624	2,200,642	3,399,791	3,171,532	1,293,498	6,178,905	5,944,156	3,494,140
Total liabilities	26,756,611	25,659,372	25,192,549	21,473,421	22,180,681	10,134,801	48,230,032	47,840,053	35,327,350
Deferred inflows of resources.....	3,676,225	2,962,826	675,694	457,067	438,226	94,556	4,133,292	3,401,052	770,250
Net position:									
Net investment in capital assets.....	63,317,482	58,077,074	53,020,166	58,855,897	53,706,014	48,261,754	122,173,379	111,783,088	101,281,920
Restricted.....	6,348,124	4,324,267	3,533,331	5,539,735	3,702,258	2,465,362	11,887,859	8,026,525	5,998,693
Unrestricted.....	6,665,585	6,266,211	4,331,887	9,120,927	7,956,615	6,635,335	15,786,512	14,222,826	10,967,222
Total net position.....	\$ 76,331,191	\$ 68,667,552	\$ 60,885,384	\$ 73,516,559	\$ 65,364,887	\$ 57,362,451	\$ 149,847,750	\$ 134,032,439	\$ 118,247,835

As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of the City of Mebane exceeded liabilities and deferred inflows by \$149,847,750 as of June 30, 2023. The City’s net position increased by \$15,815,311 for the fiscal year ended June 30, 2023. However, the largest portion (81.5%) reflects the City’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Mebane uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Mebane’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Mebane’s net position \$11,887,859 (7.93%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$15,786,512 is unrestricted.

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.50%, which compares favorably with the statewide average of 99.13%.
- Other taxes increased \$585,245 which included an increase in sales taxes of \$507,538.
- Water and sewer charges for services increased by \$1,045,878 due to an increase in demand for these services.
- A continued low cost of debt due to the City's high bond rating.



City of Mebane Changes in Net Position (Figure 3)

	Governmental Activities			Business-Type Activities			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Revenues:									
Program revenues:									
Charges for services.....	\$ 2,689,077	\$ 2,165,375	\$ 2,041,900	\$ 10,749,657	\$ 9,703,779	\$ 9,146,098	\$ 13,438,734	\$ 11,869,154	\$ 11,187,998
Operating grants and contributions	1,322,247	1,071,973	821,868	2,016,944	2,045,130	-	3,339,191	3,117,103	821,868
Capital grants and contributions.....	6,500,750	4,284,192	4,465,736	4,032,800	3,422,692	2,890,267	10,533,550	7,706,884	7,356,003
General revenues:									
Property taxes.....	14,228,025	13,129,528	11,807,602	-	-	-	14,228,025	13,129,528	11,807,602
Other taxes.....	7,926,631	7,341,386	5,764,756	-	-	-	7,926,631	7,341,386	5,764,756
Grants and contributions not restricted to specific programs.....	23,110	410,380	191,474	-	-	-	23,110	410,380	191,474
Other.....	431,652	630,116	157,929	302,525	63,939	(62,837)	734,177	694,055	95,092
Total revenues.....	33,121,492	29,032,950	25,251,265	17,101,926	15,235,540	11,973,528	50,223,418	44,268,490	37,224,793
Expenses:									
General government.....	3,569,169	2,838,280	2,945,979	-	-	-	3,569,169	2,838,280	2,945,979
Public safety.....	10,300,977	8,660,213	9,046,866	-	-	-	10,300,977	8,660,213	9,046,866
Public works.....	5,824,083	4,824,551	5,273,617	-	-	-	5,824,083	4,824,551	5,273,617
Economic development.....	3,031,889	2,260,845	2,225,126	-	-	-	3,031,889	2,260,845	2,225,126
Culture and recreation.....	2,543,789	2,064,269	1,931,238	-	-	-	2,543,789	2,064,269	1,931,238
Interest on long-term dept.....	174,264	178,756	200,005	-	-	-	174,264	178,756	200,005
Water and sewer.....	-	-	-	8,963,936	7,656,972	7,656,961	8,963,936	7,656,972	7,656,961
Total expenses.....	25,444,171	20,826,914	21,622,831	8,963,936	7,656,972	7,656,961	34,408,107	28,483,886	29,279,792
Increase in net position before transfers and special item.....	7,677,321	8,206,036	3,628,434	8,137,990	7,578,568	4,316,567	15,815,311	15,784,604	7,945,001
Transfers.....	(13,682)	(423,868)	-	13,682	423,868	-	-	-	-
Special item.....	-	-	-	-	-	-	-	-	-
Increase in net position.....	7,663,639	7,782,168	3,628,434	8,151,672	8,002,436	4,316,567	15,815,311	15,784,604	7,945,001
Net position, July 1.....	68,667,552	60,885,384	57,684,297	65,364,887	57,362,451	53,045,884	134,032,439	118,247,835	110,730,181
Net position, restated.....	-	60,885,384	57,256,950	-	57,362,451	53,045,884	-	118,247,835	110,302,834
Net position, June 30.....	\$76,331,191	\$68,667,552	\$60,885,384	\$73,516,559	\$65,364,887	\$57,362,451	\$149,847,750	\$134,032,439	\$118,247,835

Note: 2020 Net Position has been restated to reflect prior period adjustments.

Governmental activities: Governmental activities prior to transfers increased the City's net position by \$7,677,321 thereby accounting for 48.54% of the total growth in the net position of the City of Mebane. Key elements of this change in net position are as follows:

- Property taxes increased by \$1,098,497 over the prior year.
- Other tax revenues increased by \$585,245 over the prior year, mostly in sales tax.
- Charges for services increased by \$523,702 and operating grants increased \$250,274 while capital grants and contributions increased \$2,216,558 over the prior year.

City of Mebane, North Carolina

Management Discussion and Analysis

June 30, 2023

Business-type activities: Business-type activities prior to transfers increased the City of Mebane's net position by \$8,137,990, accounting for 51.46% of the total growth in the government's net position. Key elements of this change in net position as compared to the prior year are as follows:

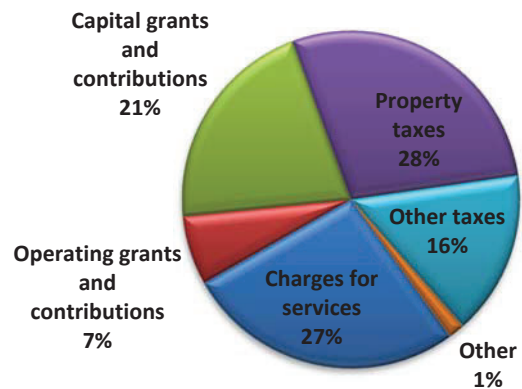
- Charges for services increased \$1,045,878 due to an increase in demand for these services, due to the growth in Mebane.
- Operating grants and contributions decreased \$28,186 while capital grants and contributions increased \$610,108 over the prior year.

Financial Analysis of the City's Funds

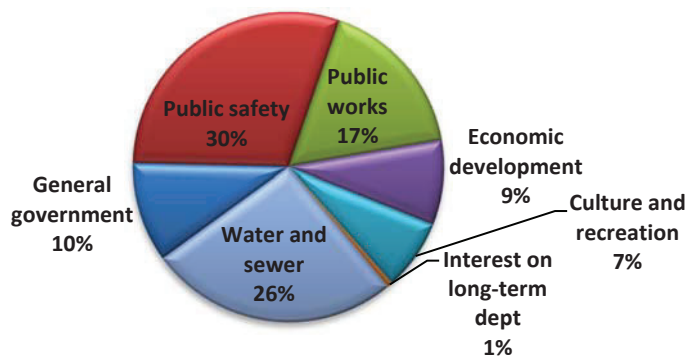
As noted earlier, the City of Mebane uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City of Mebane's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Mebane's financing requirements.

Revenues by Source - All Activities



Expenses by Function - All Activities



The general fund is the chief operating fund of the City of Mebane. At the end of the current fiscal year, fund balance available in the General Fund was \$14,786,633, while total fund balance reached \$20,978,011. The City currently has an available fund balance of 62.40% of general fund expenditures, while total fund balance represents 88.53% of the same amount.

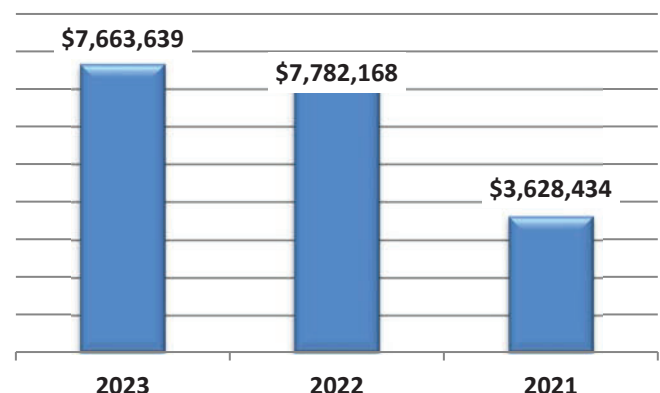
At June 30, 2023, the governmental funds of the City of Mebane reported a combined fund balance of \$24,829,745, a 18.98% increase over last year. This increase in fund balance is due to an increase in the general fund of

\$249,999 combined with an increase in the non-major funds of \$3,710,295.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once 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.

Revenues were more than the budgeted amounts primarily because tax revenue that the City originally had expected to receive was significantly

Increase in Net Position - Governmental Funds



City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

more. Expenditures were significantly less than budgeted as a result of the delay of many expenditures due to supply change issues.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$9,120,927. The total increase in net position was \$8,151,672.

Capital Asset and Debt Administration

Capital assets: The City of Mebane's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$141,817,943 (net of accumulated depreciation). These assets include buildings, roads, land, artwork and collections, machinery and equipment, park facilities, vehicles, and right to use assets for IT subscriptions.

Major capital asset transactions during the year include the following additions and disposals:

- Capital contributions and donations in the general fund in the amount of \$3,920,850 and in the water and sewer fund in the amount of \$4,032,800.
- Construction in progress in the governmental funds consisted of construction related expenses in the Lake Michael Dam Spillway of \$324,561 and the Cates Farm Park of \$486,034.
- While not significant, the implementation of GASB 96 added \$36,097 of right to use assets for IT subscriptions.
- Construction in progress for Utility funds includes related expenses of \$7,007,422 for the WRRF Upgrade, \$2,448,836 for the WRRF 0.5 MGD Expansion, \$219,484 for the Elevated Water Tank, and \$45,852 for the GKN Pump Station.

City of Mebane's Capital Assets, Net of Depreciation (Figure 4)

	Governmental Activities			Business-Type Activities			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Land.....	\$ 7,677,836	\$ 7,669,906	\$ 7,509,059	\$ 1,054,201	\$ 766,326	\$ 566,834	\$ 8,732,037	\$ 8,436,232	\$ 8,075,893
Artwork and collections.....	68,360	68,360	68,360	-	-	-	68,360	68,360	68,360
Buildings and systems.....	12,614,051	12,533,851	12,515,279	21,273,231	21,830,149	22,100,411	33,887,282	34,364,000	34,615,690
Water and sewer systems.....	-	-	-	38,255,754	34,620,673	30,748,944	38,255,754	34,620,673	30,748,944
Improvements other than buildings	9,358,510	9,510,210	9,994,677	-	-	-	9,358,510	9,510,210	9,994,677
Machinery and equipment.....	1,705,292	1,556,136	1,515,008	1,007,296	982,313	984,340	2,712,588	2,538,449	2,499,348
Computer equipment.....	197,791	216,302	213,453	15,627	-	-	213,418	216,302	213,453
Infrastructure.....	33,237,981	30,048,595	26,250,167	-	-	-	33,237,981	30,048,595	26,250,167
Vehicles and motorized equipment	2,949,785	2,678,709	2,225,671	170,917	23,713	31,431	3,120,702	2,702,422	2,257,102
Right to use assets:									
IT Subscriptions.....	36,097	-	-	-	-	-	36,097	-	-
Construction in progress.....	1,396,066	456,448	291,328	10,799,148	2,915,009	555,285	12,195,214	3,371,457	846,613
	<u>\$69,241,769</u>	<u>\$64,738,517</u>	<u>\$60,583,002</u>	<u>\$72,576,174</u>	<u>\$61,138,183</u>	<u>\$54,987,245</u>	<u>\$141,817,943</u>	<u>\$125,876,700</u>	<u>\$115,570,247</u>

Additional information on the City's capital assets can be found on page 34 of this report.

Long-term Debt: As of June 30, 2023, the City of Mebane had no bonded debt outstanding.

City of Mebane's Outstanding Debt (Figure 5)

	Governmental Activities			Business-Type Activities			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
General obligation bonds. \$	-	-	-	-	-	-	-	-	-
Revenue bonds.....	-	-	-	12,609,000	13,573,000	-	12,609,000	13,573,000	-
Direct Placement Debt.....	6,834,187	7,512,035	7,562,836	115,550	144,563	3,186,778	6,949,737	7,656,598	10,749,614
Other long-term payables.	-	-	-	2,933,907	3,211,310	3,538,713	2,933,907	3,211,310	3,538,713
IT Subscription liabilities.	32,902	-	-	-	-	-	32,902	-	-
Compensated absences.....	567,064	510,453	445,229	94,507	88,740	78,990	661,571	599,193	524,219
OPEB.....	9,102,363	11,120,836	9,501,292	1,443,671	1,757,921	1,494,607	10,546,034	12,878,757	10,995,899
Pension related debt.....	7,440,981	3,743,424	5,482,550	876,995	233,615	542,215	8,317,976	3,977,039	6,024,765
Total	<u>\$23,977,497</u>	<u>\$22,886,748</u>	<u>\$22,991,907</u>	<u>\$18,073,630</u>	<u>\$19,009,149</u>	<u>\$ 8,841,303</u>	<u>\$42,051,127</u>	<u>\$41,895,897</u>	<u>\$31,833,210</u>

Note: 2020 Pension related debt has been restated to reflect prior period adjustments.

The City of Mebane's total debt increased by \$155,230 (.37%) during the past fiscal year, primarily due to increases in pension obligations of \$4,340,937, offset by decreases in OPEB liabilities of \$2,332,723, netted with scheduled principal payments of \$2,586,867 on notes, bonds, and other long-term payables.

City of Mebane, North Carolina
Management Discussion and Analysis
June 30, 2023

The City of Mebane has maintained a high bond rating at “AA+” with Standard and Poor’s Corporation. There was no new general obligation debt issued in FY23, and Standard & Poor’s Ratings Services last review affirmed the rating, with a stable outlook for the City of Mebane. They stated that the rating reflects their opinion of the City’s favorable location, growing and diverse property base, very strong finances and low direct debt. The City believes this speaks very highly of the stability and sound management practices of the City of Mebane.

North Carolina general statutes limit 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 City of Mebane is \$226,718,089.

Additional information regarding the City of Mebane’s long-term debt can be found on page 51 of this report.

Economic Factors and Next Year’s Budgets and Rates

The following key economic indicators reflect the growth of the City of Mebane:

- The City has and continues to lead the area in industrial recruitment and new homebuilding. The residential and industrial sectors continue to demonstrate growth, with the latter potentially increasing explicitly beyond the number and size of recent years. Interest in the commercial and downtown sector could result in these categories of development creating stand-alone projects versus recent mixed-use approaches.
- The City's tax base continues to grow with industrial development and expansion in the NC Industrial Center and NC Commerce Park, along with new development in Orange County.
- Retail sales are expected to remain strong, with Tanger Outlets sustaining much of its growth.
- The City's population continues to grow rapidly, with the Office of State Management and Budget at the North Carolina Department of Revenue showing a 29.15% increase in the total population from 2018 to 2023.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The tax year 2023 was a revaluation year for Alamance County. The City Council decreased the property tax rate from \$0.47 per \$100 property valuation to \$0.37 per \$100. The revenue-neutral tax rate was \$0.3421. The City Council directed staff to set aside the revenue from \$0.02 per \$100 valuation for future capital projects such as building a new fire station, police station, and recreation project. Property tax revenue is expected to increase 20% over the prior year's budget. Based on current trends and forecasts, sales tax revenues were budgeted to increase, with an overall increase of 27% over the FY2023 budgeted amount. Major projects include an inclusive playground at Cates Farm Park and the Lake Michael Dam spillway renovation. The budget included a 6% cost-of-living increase and merit pay for employees.

Business-type Activities: The budget for FY24 included a 6% rate increase for water and sewer services. Water and sewer charges were budgeted to increase due to the rate increase and growth, with overall revenues increasing 18.27%. In addition, the budget continued the City's dedication to the maintenance of the system and to address growth, continuing the plan to expand the capacity of the Water Resources Recovery Facility.

Request for Information

This report is designed to provide an overview of the City’s finances for those interested in this area. Questions concerning any of the information found in this report or request for additional information should be directed to:

Daphna Schwartz
Finance Director
106 E. Washington Street Mebane, NC 27302 (919) 563-5901
dschwartz@cityofmebane.com

Basic Financial Statements

The Basic Financial Statements provide a dual perspective summary overview of the financial position and operating results of the government as a whole (government-wide financial statements) and of all funds (fund financial statements). They also serve as a condensed introduction to the more detailed statements and schedules that follow.



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City of Mebane, North Carolina
Statement of Net Position
June 30, 2023

Exhibit 1

	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents.....	\$ 19,438,535	\$ 10,922,599	\$ 30,361,134
Taxes receivables, (net).....	76,092	-	76,092
Accrued interest receivable on taxes.....	14,242	-	14,242
Accounts receivable (net).....	145,242	1,175,210	1,320,452
Leases receivable.....	-	-	-
Due from other governments.....	3,006,160	-	3,006,160
Prepaid items.....	-	-	-
Restricted cash.....	5,222,881	9,425,907	14,648,788
Notes receivable - Mebane Mill Lofts, LLC.....	490,533	-	490,533
Capital assets (Note 2):			
Land, non-depreciable improvements, and construction in progress	9,142,262	11,853,349	20,995,611
Other capital assets, net of depreciation.....	60,063,410	60,722,825	120,786,235
Right to use assets, net of amortization.....	36,097	-	36,097
Total capital assets.....	69,241,769	72,576,174	141,817,943
Total assets.....	97,635,454	94,099,890	191,735,344
Deferred outflows of resources.....	9,128,573	1,347,157	10,475,730
Liabilities			
Amounts due within one year:			
Accounts payable and accrued expenses.....	1,429,490	1,383,353	2,812,843
Accrued interest payable.....	47,249	86,108	133,357
Payable from restricted assets.....	1,302,375	809,746	2,112,121
Unearned revenues.....	-	1,120,584	1,120,584
Current portion of long-term liabilities.....	1,742,056	1,360,528	3,102,584
Amounts due in more than one year:			
Net pension liability - LGERS.....	5,706,551	876,995	6,583,546
Net pension liability - LEOSSA.....	1,176,432	-	1,176,432
Net pension liability - FireSSA.....	557,998	-	557,998
Due in more than one year.....	14,794,460	15,836,107	30,630,567
Total liabilities.....	26,756,611	21,473,421	48,230,032
Deferred inflows of resources.....	3,676,225	457,067	4,133,292
Net Position			
Net investment in capital assets.....	63,317,482	58,855,897	122,173,379
Restricted for:			
Stabilization by State Statute.....	6,191,378	-	6,191,378
Economic development.....	156,746	-	156,746
Future system development.....	-	5,539,735	5,539,735
Unrestricted	6,665,585	9,120,927	15,786,512
Total net position.....	\$ 76,331,191	\$ 73,516,559	\$ 149,847,750

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

City of Mebane, North Carolina
Statement of Activities
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Primary Government			Primary Government		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary government						
Governmental activities						
General government.....	\$ 3,569,169	\$ 4,505	\$ -	\$ -	\$ (3,564,664)	\$ -
Public safety.....	10,300,977	51,672	483,176	-	(9,766,129)	-
Public works.....	5,824,083	741,725	536,176	6,500,750	1,954,568	-
Recreation.....	2,543,789	148,528	21,321	-	(2,373,940)	-
Economic & physical development.....	3,031,889	1,742,647	281,574	-	(1,007,668)	-
Interest on long-term debt.....	174,264	-	-	-	(174,264)	-
Total governmental activities.....	25,444,171	2,689,077	1,322,247	6,500,750	(14,932,097)	-
Business-type activities:						
Water and sewer.....	8,963,936	10,749,657	2,016,944	4,032,800	-	7,835,465
Total business-type activities.....	8,963,936	10,749,657	2,016,944	4,032,800	-	7,835,465
Total primary government.....	\$ 34,408,107	\$ 13,438,734	\$ 3,339,191	\$ 10,533,550	(14,932,097)	(7,096,632)
General revenues:						
Taxes:						
Property taxes, levied for general purposes.....					14,228,025	-
Sales taxes.....					6,420,709	-
Franchise tax.....					1,271,769	-
Privilege license tax.....					945	945
Excise Tax.....					233,208	-
Grants & contributions not restricted to specific programs.....					23,110	-
Unrestricted investment earnings.....					241,674	396,777
Miscellaneous.....					189,978	(94,252)
Total general revenues excluding transfers.....					22,609,418	302,525
Transfers.....					(13,682)	13,682
Total general revenues and transfers.....					22,595,736	316,207
Change in net position.....					7,663,639	8,151,672
Net position - beginning					68,667,552	65,364,887
Net position - ending.....					\$ 76,331,191	\$ 73,516,559

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

City of Mebane, North Carolina
Balance Sheet
Governmental Funds
June 30, 2023

Exhibit 3

	<u>General Fund</u>	<u>Total Non - Major Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents.....	\$ 18,243,278	\$ 1,195,257	\$ 19,438,535
Restricted cash.....	2,466,135	2,756,746	5,222,881
Taxes receivable, net.....	107,148	-	107,148
Receivable from other governments.....	2,975,104	-	2,975,104
Other receivables.....	145,244	-	145,244
Leases receivable.....	-	-	-
Prepaid items.....	-	-	-
Total assets.....	<u>\$ 23,936,909</u>	<u>\$ 3,952,003</u>	<u>\$ 27,888,912</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable.....	1,329,221	100,269	1,429,490
Payable from restricted assets.....	1,302,375	-	1,302,375
Total liabilities.....	<u>2,631,596</u>	<u>100,269</u>	<u>2,731,865</u>
Deferred inflows of resources.....	327,302	-	327,302
Fund balances:			
Nonspendable			
Leases.....	-	-	-
Prepaid assets.....	-	-	-
Restricted			
Stabilization by State Statute.....	6,191,378	-	6,191,378
Economic development.....	-	156,746	156,746
Assigned			
Subsequent year's expenditures.....	2,797,463	3,694,988	6,492,451
Unassigned.....	11,989,170	-	11,989,170
Total fund balances.....	<u>20,978,011</u>	<u>3,851,734</u>	<u>24,829,745</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 23,936,909</u>	<u>\$ 3,952,003</u>	<u>\$ 27,888,912</u>

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

City of Mebane, North Carolina
Balance Sheet (continued)
Governmental Funds
June 30, 2023

Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, governmental funds.....		\$ 24,829,745
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost.....	92,018,810	
Accumulated depreciation.....	<u>(22,813,138)</u>	69,205,672
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use assets at historical cost.....	48,129	
Accumulated amortization.....	<u>(12,032)</u>	36,097
Deferred outflows of resources related to pensions are not reported in the funds.....		6,255,983
Deferred outflows of resources related to OPEB are not reported in the funds.....		2,872,586
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable on taxes.....	14,242	
Notes receivable.....	<u>490,533</u>	504,775
Earned revenues considered deferred inflows of resources in fund statements.....		107,148
Deferred inflows of resources related to pensions are not reported in the funds.....		(582,256)
Deferred inflows of resources related to OPEB are not reported in the funds.....		(2,873,815)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable.....	(6,834,187)	
Subscription liability payable.....	(32,902)	
Compensated absences.....	(567,065)	
Net pension liability - LGERS.....	(5,706,551)	
Total pension liability - LEOSSA.....	(1,176,432)	
Total pension liability - FireSSA.....	(557,998)	
OPEB liability.....	<u>(9,102,363)</u>	<u>(23,977,498)</u>
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.....		(47,249)
Net Position of Governmental Activities.....		<u>\$ 76,331,188</u>

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

City of Mebane, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

Exhibit 4

	<u>General Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes.....	\$ 13,691,894	\$ -	\$ 13,691,894
Other taxes and licenses.....	945	-	945
Unrestricted intergovernmental.....	8,234,539	-	8,234,539
Restricted intergovernmental.....	1,508,594	2,600,000	4,108,594
Permits and fees.....	1,878,503	-	1,878,503
Sales and services.....	752,683	-	752,683
Investment earnings.....	222,281	19,392	241,673
Miscellaneous.....	264,941	11,235	276,176
Total revenues.....	<u>26,554,380</u>	<u>2,630,627</u>	<u>29,185,007</u>
Expenditures			
Current:			
General government.....	3,408,844	-	3,408,844
Public safety.....	9,473,055	-	9,473,055
Public works.....	5,504,445	-	5,504,445
Recreation.....	2,269,584	-	2,269,584
Economic and physical development.....	3,046,352	-	3,046,352
Debt Service:			
Principal.....	1,608,965	-	1,608,965
Interest and other charges.....	170,431	-	170,431
Capital outlay.....	-	707,172	707,172
Total Expenditures.....	<u>25,481,676</u>	<u>707,172</u>	<u>26,188,848</u>
Excess (deficiency) of revenues over expenditures.....	<u>1,072,704</u>	<u>1,923,455</u>	<u>2,996,159</u>
Other Financing Sources (Uses)			
Transfers in.....	-	1,786,840	1,786,840
Transfers out.....	(1,786,840)	-	(1,786,840)
Installment purchase obligations issued.....	916,006	-	916,006
IT subscription agreement.....	48,129	-	48,129
Total other financing sources and uses.....	<u>(822,705)</u>	<u>1,786,840</u>	<u>964,135</u>
Net change in fund balances.....	249,999	3,710,295	3,960,294
Fund balances - beginning	20,728,012	141,439	20,869,451
Fund balances - ending.....	<u>\$ 20,978,011</u>	<u>\$ 3,851,734</u>	<u>\$ 24,829,745</u>

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

City of Mebane, North Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances (continued)

Governmental Funds

For the Year Ended June 30, 2023

Exhibit 4

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$	3,960,294
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital outlay expenditures which were capitalized.....	\$	3,267,353	
Capital asset transfers to and from other funds.....		(13,682)	
Depreciation expense for governmental assets.....		(2,707,367)	546,304
Right to used leased asset capital outlay			
expenditures which were capitalized.....		48,129	
Amortization expense for intangible assets.....		(12,032)	36,097
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.....			-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.....			(156,565)
Benefit payments paid and administrative costs for LEOSSA are deferred outflows of resources on the Statement of Activities.....			(47,390)
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.....			(98,355)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			
Amount of contributed capital and donations.....		3,920,850	
Mebane Mills Lofts notes receivable principal receipts.....		(11,235)	
Change in unavailable revenue for tax revenues.....		28,051	3,937,666
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 amount is the net effect of these differences in the treatment of long-term debt and related items.			
New long-term debt issued.....		(964,135)	
Principal payments on long-term debt.....		1,608,965	
Increase in accrued interest payable.....		(3,832)	640,998
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.			
Compensated absences.....		(56,612)	
Pension expense.....		(406,428)	
OPEB plan expense.....		(692,370)	(1,155,410)
Total changes in net position of governmental activities			\$ 7,663,639

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

City of Mebane, North Carolina

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

For the Year Ended June 30, 2023

Exhibit 5

			<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Property taxes.....	\$ 13,144,770	\$ 13,144,770	\$ 13,691,894	\$ 547,124
Other taxes and licenses.....	1,000	1,000	945	(55)
Unrestricted intergovernmental.....	7,334,061	7,334,061	8,234,539	900,478
Restricted intergovernmental.....	1,104,800	1,394,623	1,508,594	113,971
Permits and fees.....	1,259,760	1,259,760	1,878,503	618,743
Sales and services.....	682,114	682,114	752,683	70,569
Investment earnings.....	20,000	20,000	222,281	202,281
Miscellaneous.....	98,430	2,698,430	264,941	(2,433,489)
Total revenues.....	<u>23,644,935</u>	<u>26,534,758</u>	<u>26,554,380</u>	<u>19,622</u>
Expenditures				
Current:				
General government.....	3,781,112	4,025,087	3,408,844	616,243
Public safety.....	10,296,622	12,195,417	9,473,055	2,722,362
Public works.....	5,998,805	6,794,999	5,504,445	1,290,554
Recreation.....	2,390,782	2,605,344	2,269,584	335,760
Economic and physical development.....	2,984,647	3,466,132	3,046,352	419,780
Debt Service:				
Principal.....	1,751,335	1,645,621	1,608,965	36,656
Interest and other charges.....	173,023	174,824	170,431	4,393
Total expenditures.....	<u>27,376,326</u>	<u>30,907,424</u>	<u>25,481,676</u>	<u>5,425,748</u>
Excess (deficiency) of revenues over expenditures.....	<u>(3,731,391)</u>	<u>(4,372,666)</u>	<u>1,072,704</u>	<u>5,445,370</u>
Other Financing Sources (Uses)				
Transfers in.....	-	-	-	-
Transfers out.....	(900,000)	(4,470,760)	(1,786,840)	2,683,920
Long-term debt obligations issued.....	2,466,006	2,466,006	916,006	(1,550,000)
IT subscription agreement.....	-	-	48,129	48,129
Fund balance appropriated.....	2,165,385	6,377,420	-	(6,377,420)
Total other financing sources and uses.....	<u>3,731,391</u>	<u>4,372,666</u>	<u>(822,705)</u>	<u>(5,195,371)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>249,999</u>	<u>\$ 249,999</u>
Fund balances - beginning			<u>20,728,012</u>	
Fund balances - ending			<u>\$ 20,978,011</u>	

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

City of Mebane, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2023

Exhibit 6

	<u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents.....	\$ 10,922,599
Accounts receivable (net) - billed.....	774,427
Accounts receivable (net) - unbilled.....	395,634
Other receivables.....	5,149
Restricted cash.....	9,425,907
Total current assets.....	<u>21,523,716</u>
Non-current assets:	
Net pension asset.....	-
Capital assets:	
Land and other non-depreciable assets.....	11,853,349
Other capital assets, net of depreciation.....	60,722,825
Total capital assets.....	<u>72,576,174</u>
Total non-current assets.....	<u>72,576,174</u>
Total assets.....	<u>94,099,890</u>
Deferred outflows of resources.....	1,347,157
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities.....	1,383,354
Accrued interest payable.....	86,108
Payable from restricted assets.....	809,746
Unearned revenues.....	1,120,584
Compensated absences.....	73,853
Long-term debt - current.....	306,675
Bonds payable - current.....	980,000
Total current liabilities.....	<u>4,760,320</u>
Noncurrent liabilities:	
Compensated absences.....	20,653
Net pension liability.....	876,995
Total OPEB liability.....	1,443,671
Long-term debt - noncurrent.....	2,742,782
Bonds payable - noncurrent.....	11,629,000
Total noncurrent liabilities.....	<u>16,713,101</u>
Total liabilities.....	<u>21,473,421</u>
Deferred inflows of resources.....	457,067
Net Position	
Net investment in capital assets.....	58,855,897
Restricted for future system development.....	5,539,735
Unrestricted	9,120,927
Total net position.....	<u>\$ 73,516,559</u>

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

City of Mebane, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 7

	<u>Water and Sewer Fund</u>
Operating Revenues	
Charges for services.....	\$ 8,334,674
Water and sewer taps.....	18,079
Connection fees.....	1,792,107
Miscellaneous.....	<u>606,672</u>
Total operating revenues.....	<u>10,751,532</u>
Operating Expenses	
Administration, meters and billing.....	1,163,192
Utility maintenance.....	3,605,415
Engineering.....	295,062
Water resource recovery facility.....	1,778,774
Non-departmental.....	28,989
Depreciation.....	<u>1,875,620</u>
Total operating expenses.....	<u>8,747,052</u>
Operating income (loss).....	<u>2,004,480</u>
Nonoperating revenues (expenses)	
Interest and investment revenue.....	396,777
Other.....	(99,006)
Interest expense.....	(214,005)
ARPA Grant Proceeds.....	<u>2,016,944</u>
Total nonoperating revenues (expenses).....	<u>2,100,710</u>
Income (loss) before contributions and transfers.....	4,105,190
Capital contributions.....	4,032,800
Transfers in.....	5,738,728
Transfers out.....	<u>(5,725,046)</u>
Change in net position.....	8,151,672
Total net position - beginning.....	<u>65,364,887</u>
Total net position - ending.....	<u><u>\$ 73,516,559</u></u>

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

City of Mebane, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 8

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers.....	\$ 10,081,807
Cash paid for goods and services.....	(4,041,691)
Cash paid to or on behalf of employees for services.....	(3,046,296)
Customer deposits received.....	179,625
Customer deposits returned.....	(108,645)
Other operating revenues.....	<u>606,672</u>
Total cash provided (used) by operating activities.....	<u>3,671,472</u>
Cash Flows from Noncapital Financing Activities	
Other non-operating revenues.....	(99,006)
Transfers from other funds.....	5,725,046
Transfers to other funds.....	(5,725,046)
Grant proceeds-federal ARPA grant.....	<u>2,591,329</u>
Total cash provided (used) by non-capital financing activities.....	<u>2,492,323</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets.....	(9,267,130)
Proceeds from new debt.....	-
Principal paid on bonds and notes payable.....	(1,270,415)
Interest paid on bonds and notes payable.....	<u>(220,562)</u>
Total cash provided (used) by capital and related financing activities.....	<u>(10,758,107)</u>
Cash Flows from Investing Activities	
Investment income.....	<u>396,777</u>
Total cash provided (used) by investing activities.....	<u>396,777</u>
Net increase (decrease) in cash and equivalents.....	(4,197,535)
Balance, beginning.....	<u>24,546,041</u>
Balance, ending.....	<u>\$ 20,348,506</u>

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

City of Mebane, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 8

	<u>Water and</u> <u>Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss).....	\$ 2,004,480
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation.....	1,875,620
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable.....	88,784
Increase (decrease) in allowance for doubtful accounts.....	(151,837)
(Increase) decrease in deferred outflows of resources for pensions.....	(159,744)
Increase (decrease) accounts payable.....	(367,455)
Increase (decrease) salaries payable.....	(43,094)
Increase (decrease) accrued vacation.....	5,766
Increase (decrease) in net pension liability.....	643,380
Increase (decrease) in deferred inflows of resources for pensions.....	(344,172)
Increase (decrease) in OPEB liability.....	(314,250)
Increase (decrease) in deferred inflows of resources for OPEB.....	363,014
Increase (decrease) in customer deposits.....	70,980
Total adjustments.....	<u>1,666,992</u>
Net cash provided by operating activities.....	<u>\$ 3,671,472</u>
Noncash investing, capital, and financing activities:	
Noncash capital contributions of capital assets.....	<u>\$ 4,032,800</u>
Unrealized gain/loss on investments.....	<u>\$ -</u>

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

1. Summary of Significant Accounting Policies

The accounting policies of the City of Mebane conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The City of Mebane is a municipal corporation which is governed by an elected mayor and a five-member council. The City is located in the eastern part of Alamance County and the western part of Orange County. Generally accepted accounting principles require that these financial statements present the primary government (i.e. the City) and any component units, legally separate organization for which the elected officials of the City are financially accountable. The City of Mebane has no component units as defined above.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and general government.

The City reports the following non-major governmental funds:

CDBG- Mebane Mills Loft – Special Revenue Fund: This fund is used to account for all block grant funds expended for the renovation of the old Dixie Yarns Building into subsidized housing.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Capital Project Fund – Cates Farm Park: This fund is used to account for the construction of a new city park.

Capital Project Fund – Lake Michael Dam Spillway: This fund is used to account for the construction of upgrades to the Lake Michael Dam Spillway.

Capital Project Fund – Transload Facility: This fund is used to account for the construction of a new rail transload facility.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund is used to account for the City's water and sewer operations. The Water and Sewer Capital Project Funds and the System Development Capital Reserve Fund have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. 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 nonoperating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts, including the City of Mebane. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Mebane because the tax is levied by Alamance County and Orange County and then remitted to and distributed by the State. Most 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. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue Funds and the Capital Projects Funds and the Enterprise Capital Projects Funds. The enterprise fund projects are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity
Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value. The North Carolina Capital Management Trust (NCCMT), which consists of an SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, and collateralized repurchase agreements, is a money market mutual fund (2a-7) and maintains an AAAm rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value. Because the NCCMT Government has a

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the City has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

Customer deposits held by the City before any services are supplied are restricted for which the deposit was collected. Contractor reserves and bond deposits received and held are classified as restricted cash. Grant proceeds received in advance for specified purposes are classified as restricted cash. Unexpended loan principal and interest receipts in the CDBG- Mebane Mills Loft Special Revenue Fund is classified as restricted assets because its use is restricted for future economic development per an agreement with the North Carolina Housing Finance Agency. Powell Bill funds are also classified as restricted cash, if applicable, because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Unexpended utility system development fees are restricted for use in accordance with G.S 162A-211.

City of Mebane Restricted Cash

Governmental Activities

General Fund

Contractor reserves and bond deposits.....	\$ 308,123
Asset forfeiture funds.....	253,860
Unspent loan proceeds.....	909,900
Corrections unused funds.....	1,305
Stormwater reserves.....	992,947

CDBG- Mebane Mills Loft Capital Project Fund

Economic Development.....	156,746
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Transload Capital Project Fund Unspent

State Grant Proceeds.....	<u>2,600,000</u>
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Total governmental activities.....	<u>5,222,881</u>
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Business-type Activities

Water and Sewer Fund

Customer deposits.....	809,746
Unexpended system development fees.....	5,539,735
Unexpended ARPA Capital Project Fund unexpended proceeds.....	1,138,246
Unspent bond proceeds.....	<u>1,938,180</u>

Total business-type activities.....	<u>9,425,907</u>
--------------------------------------------	-------------------------

Total Restricted Cash.....	<u>\$ 14,648,788</u>
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Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date), however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Allowances for Doubtful Accounts

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

Leases Receivable

The City's leases receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. There are no variable components under the lease agreement.

A deferred inflow of resources is recorded for the leases. 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.

Inventory and Prepaid Items

The inventories of the City's enterprise fund consist of expendable materials and supplies that are expensed when purchased.

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of one year. Minimum capitalization costs are \$5,000 for all items. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment in the proprietary fund of the City are recorded at original cost at the time of acquisition. The City capitalizes those interest costs which are incurred during the construction period of any major capital projects. Property, plant, and equipment donated to the proprietary fund type operations are recorded at the estimated fair market value at the date of donation.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure.....	50
Buildings.....	50
Improvements	25
Vehicles.....	5/10
Furniture and equipment	5/10
Computer equipment	3/5/10

Right to use assets

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

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

The right to use IT subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments for capitalizable implementation costs made before the start of the subscription term should be reported as a prepayment (asset). Such prepayments should be reduced by any incentives received from the same vendor before the start of the subscription term if a right of offset exists. The net amount of the prepayments and incentives should be reported as an asset or liability, as appropriate, before the start of the subscription term at which time the amount should be included in the initial measurement of the subscription asset. The right to use subscription assets should be amortized on a straight-line basis over the subscription term.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represent a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, pension deferrals and OPEB deferrals for the 2023 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represent an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The City has several items that meet the criterion for this category – prepaid taxes, property taxes receivable unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, and pension and OPEB deferrals.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

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

Compensated Absences

The vacation policy of the City provides for the accumulation of up to 240 hours of earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of 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.

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

Leases Receivable, net – portion of fund balance that is not an available resource because it is not in spendable form. The reported amount is calculated by reducing the lease receivable by the related deferred inflow of resources.

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

Restricted for Stabilization by State Statute – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)]. 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 Economic Development – portion of fund balance that is restricted by revenue source for future community development related activities. This amount represents the balance of the total unexpended funds from the amortized repayments of the CDBG monies loaned to Mebane Mills Lofts, LLC.

Assigned Fund Balance – portion of fund balance that the City intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

appropriation; however, the budget ordinance authorizes the budget officer to modify the appropriations by resource or appropriation within funds without limitation. Any transfer between funds must be approved by the governing board in the budget ordinance as amended.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance is the residual classification for the General Fund. Other governmental funds cannot report positive unassigned fund balance but can report negative unassigned fund balance if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The City of Mebane has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

The City of Mebane has adopted a fund balance policy that instructs management to conduct the business of the City in such a manner that unrestricted fund balance is 50% of annual budgeted expenditures and transfers. Any portion in excess of 50% may be set aside for future capital improvements or to other purposes as directed by the City Council.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The City of Mebane's employer contributions are recognized when due and the City of Mebane has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agent in the City's name. Under the Pooling Method,

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023 the City's deposits had a carrying amount of \$32,585,066, and a bank balance of \$29,718,055. Of the bank balance, \$1,010,199 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash on hand at June 30, 2023 was \$400.

Investments

At June 30, 2023, the City's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation</u>		<u>Book Value at</u>	<u>Maturity</u>	<u>Rating</u>
	<u>Measurement</u>	<u>Method</u>	<u>6/30/2023</u>		
NC Capital Management Trust					
- Government Portfolio.....	Fair Value Level 1		\$ 12,424,456	N/A	AAAm
Total.....			\$ 12,424,456		

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

Interest Rate Risk. The City has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's internal investment policy limits at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

Credit Risk. The City has no formal policy regarding credit risk, but has internal management procedures that limits the City's 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). As of June 30, 2023, the City did not hold any investments in commercial paper. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2023.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Concentration of Credit Risk. The City's Council places no limit on the amount that the City may invest in any one issuer. For the year ended June 30, 2023, there were no investments in commercial paper that totaled more than 5 percent of the City's investments.

Receivables – Allowance for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position includes penalties levied and outstanding in the amount of \$115,116.

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2023 are net of the following allowances for doubtful accounts:

Funds

General Fund:

Taxes Receivable.....	\$	15,356
Accounts Receivable.....		-
Total.....		<u>15,356</u>
Enterprise Fund.....		<u>49,714</u>
Total.....	\$	<u><u>65,070</u></u>

Leases Receivable

In July 2020, the City entered into a lease with Alamance County. Under the lease, the Alamance County pays the City \$450 per month for three years in exchange for maintaining a room and parking bay at the City fire department. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.6%, which is the City's incremental borrowing rate. This lease expired prior to June 30, 2023.

In fiscal year 2023, the City recognized \$5,348 of lease revenue and \$52 of interest revenue under the lease.

In prior years, the City entered into separate five year renewable leases with three mobile phone companies. Under the leases, the mobile phone companies pay the City rents in the amounts of \$2,409, \$1,331, and \$3,861 per month in exchange for antenna space on the City's water tower. The leases receivable are measured as the present value of the future minimum rent payments expected to be received during the lease terms at a discount rate of 2.6%, which is the City's incremental borrowing rate. These leases terminated or expires prior to June 30, 2023.

In fiscal year 2023, the City recognized \$24,074, \$15,949, and \$7,703 of lease revenue and \$16, \$223, and \$19 of interest revenue under the leases.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2023, was as follows:

	<u>Beginning</u>			<u>Ending</u>
Governmental activities:	Balances	Increases	Decreases	Balances
Capital assets not being depreciated:				
Land.....	\$ 7,669,906	\$ 7,930	\$ -	\$ 7,677,836
Artwork and collections.....	68,360	-	-	68,360
Construction in progress.....	456,448	1,015,513	75,895	1,396,066
Total capital assets not being depreciated...	<u>8,194,714</u>	<u>1,023,443</u>	<u>75,895</u>	<u>9,142,262</u>
Capital assets being depreciated:				
Buildings.....	17,288,045	461,892	-	17,749,937
Other improvements.....	11,420,943	219,155	-	11,640,098
Equipment.....	3,652,714	446,552	15,379	4,083,887
Computer equipment.....	665,225	29,876	-	695,101
Vehicles and motorized equipment.....	9,761,612	891,175	565,581	10,087,206
Infrastructure.....	<u>34,422,050</u>	<u>4,198,270</u>	<u>-</u>	<u>38,620,320</u>
Total capital assets being depreciated.....	<u>77,210,589</u>	<u>6,246,920</u>	<u>580,960</u>	<u>82,876,549</u>
Less accumulated depreciation for:				
Buildings.....	4,754,194	381,692	-	5,135,886
Other improvements.....	1,910,733	370,855	-	2,281,588
Equipment.....	2,096,578	297,396	15,379	2,378,595
Computer equipment.....	448,923	48,387	-	497,310
Vehicles and motorized equipment.....	7,082,903	190,914	136,396	7,137,421
Infrastructure.....	<u>4,373,455</u>	<u>1,008,884</u>	<u>-</u>	<u>5,382,339</u>
Total accumulated depreciation.....	<u>20,666,786</u>	<u>\$2,298,128</u>	<u>\$ 151,775</u>	<u>22,813,139</u>
Total capital assets being depreciated, net...	<u>56,543,803</u>			<u>60,063,410</u>
Capital assets being amortized:				
IT subscriptions.....	-	48,129	-	48,129
Total capital assets being amortized.....	-	<u>48,129</u>	-	<u>48,129</u>
Less accumulated amortization for:				
IT subscriptions.....	-	12,032	-	12,032
Total accumulated amortization.....	-	<u>\$ 12,032</u>	<u>\$ -</u>	<u>12,032</u>
Total capital assets being amortized, net.....	-			<u>36,097</u>
Governmental activity capital assets, net.....	<u>\$ 64,738,517</u>			<u>\$ 69,241,769</u>

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

General government.....	\$ 126,195
Public safety.....	677,052
Public works.....	1,378,455
Recreation.....	500,282
Economic & physical development.....	<u>25,384</u>
Total	<u>\$2,707,368</u>

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Business-type Activities

The capital assets of the Enterprise Fund for the year ended June 30, 2023, was as follows:

	<u>Beginning</u>			<u>Ending</u>
	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Water and Sewer Fund:				
Capital assets not being depreciated:				
Land.....	\$ 766,326	\$ 287,875	\$ -	\$ 1,054,201
Construction in progress.....	2,915,009	7,884,139	-	10,799,148
Total capital assets not being depreciated.....	<u>3,681,335</u>	<u>8,172,014</u>	<u>-</u>	<u>11,853,349</u>
Capital assets being depreciated:				
Water sources.....	13,937,610	-	-	13,937,610
Lift stations, pumping stations and tanks.....	8,866,489	11,965	-	8,878,454
Water and sewer lines.....	46,749,514	4,686,180	-	51,435,694
Land improvements.....	77,094	12,281	-	89,375
Water Resource Recovery Facility.....	9,796,576	89,620	-	9,886,196
Machinery and equipment.....	2,002,688	151,106	21,770	2,132,024
Computer equipment.....	-	16,028	-	16,028
Vehicles.....	443,830	583,656	31,452	996,034
Total capital assets being depreciated.....	<u>81,873,801</u>	<u>5,550,836</u>	<u>53,222</u>	<u>87,371,415</u>
Less accumulated depreciation for:				
Water sources.....	4,567,973	285,941	-	4,853,914
Lift stations, pumping stations and tanks.....	2,208,219	164,228	-	2,372,447
Water and sewer lines.....	12,128,841	1,051,099	-	13,179,940
Land improvements.....	10,859	3,474	-	14,333
Water Resource Recovery Facility.....	4,060,569	217,141	-	4,277,710
Machinery and equipment.....	1,020,375	126,123	21,770	1,124,728
Computer equipment.....	-	401	-	401
Vehicles.....	420,117	436,452	31,452	825,117
Total accumulated depreciation.....	<u>24,416,953</u>	<u>\$ 2,284,859</u>	<u>\$ 53,222</u>	<u>26,648,590</u>
Total capital assets being depreciated, net.....	<u>57,456,848</u>			<u>60,722,825</u>
Business-type activity capital assets, net.....	<u>\$ 61,138,183</u>			<u>\$ 72,576,174</u>

Right to Use Leased Assets

The City has no right to use leased assets for the year ended June 30, 2023.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Construction Commitments

The government has active construction projects as of June 30, 2023. At year end, the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Contract</u>
WRRF Upgrade Construction Services.....	\$ 333,274	\$ 203,116
WRRF Design/Engineering Services.....	2,358,786	951,214
City of Mebane WRRF Upgrade.....	5,486,467	898,494
PW Facility Fence Loop Paving.....	-	10,000
WRRF Construction Administration.....	-	5,000
Lake Michael Spillway Design.....	324,561	583,679
AWCK - Lake Michael Connector Engineering and Des.....	28,831	7,169
GKN Re-Route Final Design.....	43,193	6,307
U-6013 Utility Relocations Engineering.....	16,047	33,453
Elevated Storage Tank Engineering Services.....	198,519	325,481
Dead End Turn-Around Study Project.....	16,546	13,454
N. Second St. and Crawford St. Sidewalk Design.....	18,240	1,761
Future Water Planning Modeling.....	28,618	2,206
Cates Farm Park Improvements.....	328,498	564,252
Fifth St. Pocket Park & Eighth St. Sidewalk	7,495	2,505
S. Third St. Ext. Sidewalk Project- Ph. 1.....	2,943	46,858
AWCK - CEI - Cates Farm Park Phase #1.....	22,814	7,186
Cates Farm Park Playground Phase #1.....	110,823	205,677
Long Range Water System Planning Support.....	22,058	7,943
Fiddler Stage for Community Park.....	42,018	65,982
Clay Street Infrastructure Improvements.....	593,180	168,745
Criteria Design Station 4.....	69,036	30,964
W Carr St Sidewalk Project - Striping	-	3,770
West Carr St Sidewalk Improvements.....	-	27,700
Council Chamber/Conf Room/ Hallway Restoration.....	-	29,996
Total.....	<u>\$ 10,051,947</u>	<u>\$ 4,202,912</u>

B. Liabilities

Pension Plan and Postemployment Obligations

Local Governmental Employees' Retirement System

Plan Description. The City of Mebane is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

City of Mebane, North Carolina
Notes to the Financial Statements
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. City of Mebane employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Mebane's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Mebane were \$2,313,791 for the year ended June 30, 2023.

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

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

At June 30, 2023, the City reported a liability of \$6,583,546 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the City's proportion was 0.117%, which was a decrease of 0.001% from its proportion measured as of June 30, 2021.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

For the year ended June 30, 2023, the City recognized pension expense of \$2,582,941. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows of</u> <u>Resources</u>
Differences between expected and actual experience.....	\$ 283,679	\$ 27,813
Changes of assumptions.....	656,890	-
Net difference between projected and actual earnings on pension plan investments.....	2,175,931	-
Changes in proportion and differences between City contributions and proportionate share of contributions..	1,212,752	61
City contribution subsequent to the measurement date.....	2,313,363	-
Total.....	<u>\$ 6,642,615</u>	<u>\$ 27,874</u>

\$2,313,363 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024.....	\$ 1,558,486
2025.....	1,261,126
2026.....	445,111
2027.....	1,036,655
2028.....	-
Thereafter.....	-

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

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:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income.....	23.9%
Public Equity	35.8%
Cash and receivables.....	14.3%
Other.....	26.0%
Total	<u>100.0%</u>

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability (asset).....	\$ 11,882,454	\$ 6,583,546	\$ 2,216,939

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

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City of Mebane administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2021, the valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not receiving benefits	-
Active plan members	<u>37</u>
Total	<u>37</u>

Summary of Significant Accounting Policies:

Basis of Accounting. The City has 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 and refunds 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 actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate used is the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

Mortality rates are based on the Pub-2010 amount-weighted tables with adjustments projected forward generationally from the valuation date using MP-2019.

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

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

At June 30, 2023, the City reported a total pension liability of \$1,176,432. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$156,565.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience.....	\$ 119,865	\$ 165,257
Changes of assumptions.....	285,068	258,890
Benefit payments and administrative expenses made subsequent to the measurement date.....	-	-
Total.....	<u>\$ 404,933</u>	<u>\$ 424,147</u>

\$0 was reported as deferred outflows of resources related to pensions resulting from benefit payments made 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024.....	32,514
2025.....	18,797
2026.....	19,956
2027.....	7,533
2028.....	(27,377)
Thereafter.....	(70,637)

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	<u>1% Decrease</u> <u>(3.31%)</u>	<u>Discount Rate</u> <u>(4.31%)</u>	<u>1% Increase</u> <u>(5.31%)</u>
Total pension liability.....	\$ 1,290,627	\$ 1,176,432	\$ 1,073,519

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

	<u>2023</u>
Beginning balance.....	\$ 1,503,388
Service cost at end of year.....	91,743
Interest of total pension liability.....	33,693
Changes of benefit terms.....	-
Differences between expected and actual experience in the measurement of the total pension liability.....	(192,084)
Changes of assumptions or other inputs.....	(248,450)
Benefit payments.....	(11,858)
Other changes.....	-
Ending balance of the total pension liability.....	<u>\$ 1,176,432</u>

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

Firefighters' Special Separation Allowance

Plan Description. The City of Mebane administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the City's qualified firefighters under the age of 62 who have completed at least 30 years of creditable service or have attained 60 years of age and have completed twenty-five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time firefighters of the City are covered by the Separation Allowance. At December 31, 2021 the Separation Allowance's membership consisted of:

Retirees receiving benefits	-
Terminated plan members entitled to but not receiving benefits	-
Active plan members	<u>28</u>
Total	<u>28</u>

Summary of Significant Accounting Policies:

Basis of Accounting. The City has 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 and refunds 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 actuarial cost method was used in the December 31, 2021 valuation. 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 percent
Salary increases	3.25 to 8.00 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate used is the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021.

Mortality rates are based on the Pub-2010 amount-weighted tables with adjustments projected forward generationally from the valuation date using MP-2019.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this Plan is established and may be amended

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The City had no benefits come due for the reporting period.

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

At June 30, 2023, the City reported a total pension liability of \$557,998. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the City recognized pension expense of \$47,390.

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience.....	\$ 1,048	\$ 21,192
Changes of assumptions.....	83,056	125,874
Benefit payments and administrative expenses made subsequent to the measurement date.....	-	-
Total.....	<u>\$ 84,104</u>	<u>\$ 147,066</u>

\$0 was reported as deferred outflows of resources related to pensions resulting from benefit payments made 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024.....	(4,003)
2025.....	(4,003)
2026.....	(6,276)
2027.....	(31,094)
2028.....	(17,586)
Thereafter.....	-

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

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

	<u>1% Decrease</u> <u>(3.31%)</u>	<u>Discount Rate</u> <u>(4.31%)</u>	<u>1% Increase</u> <u>(5.31%)</u>
Total pension liability.....	\$ 619,181	\$ 557,998	\$ 503,221

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Schedule of Changes in Total Pension Liability
Firefighters' Special Separation Allowance

	<u>2023</u>
Beginning balance.....	\$ 666,001
Service cost at end of year.....	36,408
Interest of total pension liability.....	14,985
Changes of benefit terms.....	-
Differences between expected and actual experience in the measurement of the total pension liability.....	(25,779)
Changes of assumptions or other inputs.....	(133,617)
Benefit payments.....	-
Other changes.....	-
Ending balance of the total pension liability.....	<u><u>\$ 557,998</u></u>

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Fire SSA</u>	<u>Total</u>
Pension Expense.....	\$ 2,582,941	\$ 156,565	\$ 47,390	\$ 2,786,896
Pension Liability.....	6,583,546	1,176,432	557,998	8,317,976
Proportionate share of the net pension liability.....	0.11700%	n/a	n/a	
Deferred Outflows of Resources				
Differences between expected and actual experience.....	575,078	119,865	1,048	695,991
Changes of assumptions.....	1,135,666	285,068	83,056	1,503,790
Net difference between projected and actual earnings on plan investments.....	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions.....	1,128,407	-	-	1,128,407
Benefit payments and administrative costs paid subsequent to the measurement date..	2,065,813	-	-	2,065,813
Deferred Inflows of Resources				
Differences between expected and actual experience.....	-	165,257	21,192	186,449
Changes of assumptions.....	-	258,890	125,874	384,764
Net difference between projected and actual earnings on plan investments.....	2,582,588	-	-	2,582,588
Changes in proportion and differences between contributions and proportionate share of contributions.....	123	-	-	123

Supplemental Retirement Income Plan for Non-Law Enforcement Officers

Pension Descriptions. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by The Prudential Insurance Company of America. The Plan provides retirement benefits to non-law enforcement officers employed by the City. The City Council has the authority for establishing or amending the plan's provisions.

Funding Policy. The City contributes an amount equal to five percent of each employee's salary, and all amounts contributed are vested immediately. Also, the employees may make voluntary contributions to the plan. The City Council has the authority for establishing or amending contribution requirements. Contributions for the year ended June 30, 2023 were \$608,549, which consisted of \$373,701 from the City and \$234,848, respectively, from the employees.

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2023 were \$178,144, which consisted of \$125,734 from the City and \$52,410, respectively, from the law enforcement officers.

Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Mebane, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's Pension Fund is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The State's ACFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City is not required to contribute to the Fund; however, as a benefit to the firefighters, the City has chosen to fund the member's contributions. Contribution provisions are established by General Statute 58- 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2023, the State contributed \$19,352,000 to the plan. The City of Mebane's proportionate share of the State's contribution is \$26,945.

Refunds of Contributions – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2023, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$27,377. The net pension liability was measured as of June 30, 2022. The total pension liability used to

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2023 and at June 30, 2022 was 0%.

For the year ended June 30, 2023, the City recognized pension expense of \$4,791 and revenue of \$4,791 for support provided by the State. At June 30, 2023, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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 percent
Salary increases	Not applicable
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan noted above.

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

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

Other Post-employment Benefits

Healthcare Benefits

Plan Description. Employees who retire under the provisions of the North Carolina Local Government Employees' Retirement System (NCLGERS) and have fifteen (15) or more years of service with the City at the time of retirement are eligible to continue coverage in the City's health plan, a single-employer defined benefit plan. Coverage in the health plan will continue until the retiree becomes Medicare eligible, at which time coverage will be converted to a Medicare Supplement Plan. Health care and prescription drug coverage are provided by the City's health plan. A separate stand-alone report is not issued.

Membership of the Health Care Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

	<u>General</u>	<u>Law Enforcement</u>
	<u>Employees</u>	<u>Officers</u>
Retirees and dependents receiving benefits	25	5
Active plan members	<u>100</u>	<u>38</u>
Total	<u>125</u>	<u>43</u>

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Total OPEB Liability

The City's total OPEB liability of \$10,546,034 was measured as of June 30, 2022 with a determination date of June 30, 2021, the actuarial valuation date.

Actuarial assumptions and other inputs. The 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 otherwise specified:

Inflation	2.5 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases	General Employees- 3.25 to 8.41 percent, Firefighters 3.25 to 8.15 percent, Law Enforcement Officers 3.25 to 7.90 percent, including inflation
Discount rate	3.54 percent
Healthcare cost trend rates	Pre-Medicare- 7.00 percent for 2021 to 4.50 percent by 2031 Medicare- 5.125 percent for 2021 to 4.50 percent by 2024

The discount rate is based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Total OPEB Liability, Balance at July 1, 2022.....	\$	12,878,757
Changes for the year		
Service cost.....		732,681
Interest.....		292,415
Changes in benefit terms.....		-
Differences between expected and actual experience.....		(16,611)
Changes in assumptions or other inputs.....		(3,192,965)
Benefit payments.....		(148,243)
Net changes.....		(2,332,723)
Total OPEB Liability, Balance at June 30, 2023.....	\$	<u>10,546,034</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City'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:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.54%)</u>	<u>(3.54%)</u>	<u>(4.54%)</u>
Total OPEB liability.....	\$ 12,739,713	\$ 10,546,034	\$ 8,844,743

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability.....	\$ 8,539,519	\$ 10,546,034	\$ 13,228,063

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,048,669. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience.....	\$ 973,665	\$ 18,138
Changes of assumptions.....	2,256,746	3,295,913
Benefit payments and administrative costs made subsequent to the measurement date.....	113,667	-
Total.....	<u>\$ 3,344,078</u>	<u>\$ 3,314,051</u>

\$113,667 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:

2024.....	\$ 23,573
2025.....	23,573
2026.....	23,573
2027.....	59,757
2028.....	114,738
Thereafter.....	(328,855)

Other Employment Benefits

The City has 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 multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the 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 City considers these contributions to be immaterial.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Deferred Outflows and Inflows of Resources

The City has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Pensions- differences between expected and actual experience.....	\$ 283,679
Pensions- change of assumptions.....	656,890
Pensions- difference between projected and actual investment earnings.....	2,175,931
Pensions- change in proportion and difference between employer contributions and proportionate share of contributions.....	1,212,752
Contributions to pension plan in current fiscal year.....	2,313,363
LEOSSA- differences between expected and actual experience.....	119,865
LEOSSA- change of assumptions.....	285,068
FFSSA- differences between expected and actual experience.....	1,048
FFSSA- change of assumptions.....	83,056
OPEB- differences between expected and actual experience.....	973,665
OPEB- change of assumptions.....	2,256,746
Benefit payments for OPEB made subsequent to measurement date.....	113,667
LEOSSA- benefit payments made and administrative expenses.....	-
Total.....	<u><u>\$ 10,475,730</u></u>

Deferred inflows of resources at year-end is comprised of the following:

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Pensions- difference between projected and actual investment earnings.....	\$ 27,813	\$ -
Pensions- change in proportion and difference between employer contributions and proportionate share of contributions.....	61	-
LEOSSA- differences between expected and actual experience.....	165,257	-
LEOSSA- change of assumptions.....	258,890	-
FFSSA- differences between expected and actual experience.....	21,192	-
FFSSA- change of assumptions.....	125,874	-
OPEB- differences between expected and actual experience.....	18,138	-
OPEB- change of assumptions.....	3,295,913	-
Leases receivable (General Fund).....	-	-
Prepaid taxes and licenses (General Fund).....	220,154	220,154
Taxes receivable, less penalties (General Fund).....	-	107,148
Total.....	<u><u>\$ 4,133,292</u></u>	<u><u>\$ 327,302</u></u>

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

Risk Management

The City 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 City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded insurance coverage in any of the last three fiscal years.

The City has not been designated as being in a flood zone and thus carries no commercial flood insurance.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$1,000,000 and the City Manager for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$25,000.

Claims, Judgments and Contingent Liabilities

At June 30, 2023, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Short-Term Obligations

The City did not have any short-term debt outstanding at the beginning of the year. There was no short-term debt issued during the year and none is outstanding at the end of the year.

Long-Term Obligations

Capital Leases

The City has no lease agreements that qualify as other than short-term leases required to be reported under GASB 87.

General Obligation Indebtedness

The general obligation bonds and the notes payable, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources, are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest requirements are appropriated on all indebtedness when due.

Bonds and notes payable at June 30, 2023 are comprised of the following individual issues:

Revenue Bonds:

Serviced by the Water and Sewer Fund:

\$2,749,000 2021 Series A Refunding Utilities Revenue Bonds due in annual installments of \$329,000 to \$359,000 through June 30, 2030; interest at 1.27%.....	\$ 4,339,304
\$10,824,000 2021 Series B Utilities Revenue Bonds due in annual installments of \$635,000 to \$815,000 through August 1, 2036; interest at 1.78%	8,269,696
Total Revenue Bonds	<u>\$ 12,609,000</u>

The City is in compliance with the covenants as to rates, fees, rentals and charges in Section 4 of the Master Trust Agreement, authorizing the issuance of the City's Combined Utilities Revenue Bonds, Series 2021A and 2021B. Section 4.03 of the Master Trust Agreement requires the sum of the income available for debt service and 15% of the system fund balance to be no less than 120% of the long-term debt service requirement for parity indebtedness and the income available for debt service will be not less

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

than the sum of the long-term debt service requirement for parity indebtedness and subordinate indebtedness and the debt service on all installment debt and system general obligation debt.

The debt service calculation is as follows:

Operating revenues	\$ 10,751,532
Operating expenses less depreciation	<u>(6,871,433)</u>
Operating income	3,880,099
Nonoperating revenues (expenses)	<u>2,100,710</u>
Income available for debt service	5,980,809
15% of Unrestricted Net Position	<u>1,368,139</u>
Total Balance for 120% Parity	<u>\$ 7,348,948</u>
Debt service principal and interest (Revenue Bond only)	1,183,839
Debt service coverage ratio on first-lien debt	621%
Debt service all debt	1,490,977
Debt service coverage ratio on all debt together	493%

Installment Purchases:

Serviced by the General Fund:

Direct placement contract payable to Truist Bank for the Southside Fire Station Project. Principal payments of \$86,667 plus interest are due semi-annually starting on July 23, 2014. The note bears interest at the rate of 2.84%. All property, equipment and deposits acquired with these local funds are the security for the debt while the debt is outstanding 1,040,000

Direct placement contract payable to Piedmont Electric Membership Corporation as part of the USDA Rural Economic Development Loan (REDL) Program for the purchase of a fire truck. Principal payments of \$46,833 are due annually starting on August 1, 2017 with final payment due August 1, 2026. The note bears no interest as part of the REDL program. The fire truck is security for the debt while the debt is outstanding 187,332

Direct placement contract payable to American National Bank and Trust Company for the City Park Project. Principal payments of \$194,333 plus interest are due semi-annually starting on October 15, 2017. The note bears interest at the rate of 3.23%. All property, improvements and equipment acquired with these local funds are the security for the debt while the debt is outstanding 3,498,000

Direct placement contract payable to First Bank for the Police Department Radio Equipment. Principal payments of \$46,900 plus interest are due semi-annually starting on May 9, 2019. The note bears interest at the rate of 3.02%. All equipment and improvements acquired with these local funds are the security for the debt while the debt is outstanding 46,900

Direct placement contract payable to First Bank for the Police Department Vehicles. Principal payments of \$26,647 plus interest are due semi-annually starting on October 16, 2019. The note bears interest at the rate of 2.58%. All equipment and improvements acquired with these local funds are the security for the debt while the debt is outstanding 53,294

Direct placement contract payable to U.S. Bancorp Government Leasing and Finance, Inc., for sanitation vehicles. Principal payments of \$43,050 plus interest are due semi-annually starting on February 28, 2022. The note bears

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

interest at the rate of 1.363%. All equipment and improvements acquired with these local funds are the security for the debt while the debt is outstanding..... 215,250

Direct placement contract payable to Truist Bank, for equipment and rolling stock. Principal payments of \$133,176 to \$138,871 plus interest are due semi-annually starting on January 20, 2022. The note bears interest at the rate of 1.070%. All equipment and rolling stock acquired with these local funds are the security for the debt while the debt is outstanding 963,190

Direct placement contract payable to Truist Bank, for equipment and rolling stock. Principal payments of \$85,785 to \$96,444 plus interest are due semi-annually starting on February 1, 2023. The note bears interest at the rate of 3.040%. All equipment and rolling stock acquired with these local funds are the security for the debt while the debt is outstanding 830,221

Serviced by the Water and Sewer Fund:

Direct placement contract payable from the North Carolina Water Pollution Control Revolving Fund for 9th Street Sewer improvements. Principal payments of \$4,806 annually on the indebtedness started on May 1, 2010. The interest rate as established under this program is zero percent. This debt is not secured 28,834

Direct placement contract payable to Truist Bank, for equipment and rolling stock. Principal payments of \$12,077 to \$12,528 plus interest are due semi-annually starting on January 20, 2022. The note bears interest at the rate of 1.070%. All equipment and rolling stock acquired with these local funds are the security for the debt while the debt is outstanding 86,716

Total installment purchases..... 6,949,737

Total long-term debt..... 19,558,737

Less: Current portion of long-term debt..... (2,250,792)

Non-current portion of long-term debt\$ 17,307,945

At June 30, 2023, the City of Mebane had no authorized but unissued bonds and had a legal debt margin of \$226,718,089.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2023 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

	Revenue Bonds		Other Long-term Indebtedness		Total Debt Due	
Serviced by General Fund:						
Fiscal Year	Principle	Interest	Principle	Interest	Principle	Interest
2024.....	\$ -	\$ -	\$ 1,241,520	\$ 151,326	\$ 1,241,520	\$ 151,326
2025.....	-	-	1,149,596	125,139	1,149,596	125,139
2026.....	-	-	1,115,011	100,695	1,115,011	100,695
2027.....	-	-	940,148	77,226	940,148	77,226
2028.....	-	-	659,910	56,088	659,910	56,088
2029-2033.....	-	-	1,728,002	90,623	1,728,002	90,623
2034-2038.....	-	-	-	-	-	-
2039-maturity.....	-	-	-	-	-	-
Total.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,834,187</u>	<u>\$ 601,097</u>	<u>\$ 6,834,187</u>	<u>\$ 601,097</u>
Serviced by Water & Sewer Fund:						
Fiscal Year	Principle	Interest	Principle	Interest	Principle	Interest
2024.....	\$ 980,000	\$ 204,225	\$ 29,272	\$ 463	\$ 1,009,272	\$ 204,688
2025.....	995,000	188,356	29,534	372	1,024,534	188,728
2026.....	1,010,000	172,238	29,800	336	1,039,800	172,574
2027.....	1,028,000	155,849	17,332	-	1,045,332	155,849
2028.....	1,044,000	139,183	4,806	-	1,048,806	139,183
2029-2033.....	4,377,000	457,004	4,806	-	4,381,806	457,004
2034-2038.....	3,175,000	114,285	-	-	3,175,000	114,285
2039-maturity.....	-	-	-	-	-	-
Total.....	<u>\$12,609,000</u>	<u>\$1,431,140</u>	<u>\$ 115,550</u>	<u>\$ 1,171</u>	<u>\$ 12,724,550</u>	<u>\$1,432,311</u>

Subscriptions:

For the year ended June 30, 2023 the City implemented the requirements of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the Subscription after July 1, 2022. One such agreement was in place at June 30, 2022. The Subscription is for an Applicant Tracking and Performance Management System that aids the City in onboarding new employees and provides educational opportunities for employees to enhance their professional development. The initial term of the agreement was three years. The remaining term at June 30, 2023 is eighteen months. The Subscription does not have a stated interest rate. Accordingly, the City's estimated incremental borrowing rate of 2.60% was used to discount the subscription payments. As a result, the amount of \$48,129 was added as a right-to-use subscription asset and a subscription liability as of July 1, 2022. This restatement had no effect on equity. The liability balance at June 30, 2023 was \$32,902.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

The future minimum subscription obligations and the net present value of these minimum payments as of June 30, 2023, were as follows:

Serviced by General Fund:

<u>Fiscal Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2024.....	\$ 32,902	\$ 209	\$ 33,111
Total.....	<u>\$ 32,902</u>	<u>\$ 209</u>	<u>\$ 33,111</u>

Changes in Long-Term Liabilities

	<u>Balance July 1,</u>			<u>Balance June</u>	<u>Current</u>
	<u>2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>30, 2023</u>	<u>Portion of</u>
					<u>Balance</u>
<u>Governmental activities:</u>					
Direct Placement					
Installment purchase.....	\$ 7,512,035	\$ 916,006	\$ 1,593,854	\$ 6,834,187	\$ 1,241,520
IT Subscription liabilities.....	-	32,902	-	32,902	32,902
Compensated absences.....	510,453	467,634	411,023	567,064	467,634
Total OPEB liability.....	11,120,836	-	2,018,473	9,102,363	-
Net pension liability (LGERS).....	1,574,035	4,132,516	-	5,706,551	-
Net pension liability (LEOSSA).....	1,503,388	-	326,956	1,176,432	-
Total pension liability (Firefighters SSA)...	666,001	-	108,003	557,998	-
Governmental activity					
long-term liabilities.....	<u>\$22,886,748</u>	<u>\$ 5,549,058</u>	<u>\$ 4,458,309</u>	<u>\$ 23,977,497</u>	<u>\$ 1,742,056</u>
<u>Business-type activities:</u>					
Direct Placement					
Installment purchase.....	\$ 144,563	\$ -	\$ 29,013	\$ 115,550	\$ 29,272
Revenue bonds.....	13,573,000	-	964,000	12,609,000	980,000
Graham/Mebane Watershed					
Agreement.....	1,528,846	-	127,403	1,401,443	127,403
Graham/Mebane Capacity					
Agreement.....	1,682,464	-	150,000	1,532,464	150,000
Net pension liability (LGERS).....	233,615	643,380	-	876,995	-
Compensated absences.....	88,740	73,853	68,086	94,507	73,853
Total OPEB liability.....	<u>1,757,921</u>	<u>-</u>	<u>314,250</u>	<u>1,443,671</u>	<u>-</u>
Business-type activity					
long-term liabilities.....	<u>\$19,009,149</u>	<u>\$ 717,233</u>	<u>\$ 1,652,752</u>	<u>\$ 18,073,630</u>	<u>\$ 1,360,528</u>

Compensated absences have typically been liquidated in the General Fund.

C. Interfund Balances and Activity

There are no balances due to/from other funds at June 30, 2023.

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund services provided and used are not eliminated in the process of consolidation. These balances routinely clear out each month prior to or at year-end.

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

A summary of interfund transfers for the fiscal year ended June 30, 2023 is as follows:

Cash Transfers:

Transfer from General Fund to:

Cates Farm Park Capital Project Fund.....	\$ 1,945,665
Lake Michael Dam Spillway Capital Project Fund.....	237,180
Transload Facility Capital Project Fund.....	300,843

Transfer from Cates Farm Park Fund Capital Project Fund to:

General Fund.....	696,848
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Transfer from Utility Fund to:

WRRF Renovation Capital Project Fund.....	50,000
WRRF 0.5 MGD Expansion Capital Project Fund.....	1,654,943
Elevated Water Tank Capital Project Fund.....	150,000
GKN Pump Station Capital Project Fund.....	1,853,159

Transfer from American Rescue Plan Grant Project Fund to:

Utility Fund.....	2,016,944
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Total Cash Transfers	<u>\$ 8,905,582</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Further, during the year ended June 30, 2023, the City made the following one-time transfers:

- 1) A transfer of \$1,945,665 from the General Fund to the Cates Farm Park Capital Project Fund for capital improvements.
- 2) A transfer of \$237,180 from the General Fund to the Lake Michael Dam Spillway Capital Project Fund for capital improvements.
- 3) A transfer of \$300,843 from the General Fund to the Transload Facility Capital Project Fund for capital improvements.
- 4) A transfer of \$696,848 from the Cates Farm Park Capital Project Fund to the General Fund for repayment of funds.
- 5) A transfer of \$50,000 from the Utility Fund to the WRRF Renovation Capital Project Fund for capital improvements.
- 6) A transfer of \$1,654,943 from the Utility Fund to the WRRF 0.5 MGD Expansion Capital Project Fund for capital improvements.
- 7) A transfer of \$150,000 from the Utility Fund to the Elevated Water Tank Capital Project Fund for capital improvements.
- 8) A transfer of \$1,853,159 from the Utility Fund to the GKN Pump Station Capital Project Fund for capital improvements.
- 9) A transfer of \$2,016,944 for the American Rescue Plan Grant Project Fund to the Utility fund to cover payroll expenses.

D. On-Behalf Payments for Fringe Benefits and Salaries

The City has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$4,791, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2023. Under State

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets.....	\$ 69,241,769	\$ 72,576,174
less: long-term debt.....	6,834,187	15,658,457
add: unexpended debt proceeds.....	909,900	1,938,180
Net investment in capital assets.....	<u>\$ 63,317,482</u>	<u>\$ 58,855,897</u>

F. Fund Balance

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.....	\$ 20,978,011
Less: Stabilization by State Statute.....	(6,191,378)
Appropriated Fund Balance in 2024 budget.....	(2,797,463)
Working Capital.....	(11,989,170)
Remaining fund balance.....	<u>\$ -</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances for the Governmental Funds at June 30, 2023 were \$3,071,030 for the General Fund.

G. Jointly Governed Organization

The City, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member and one alternate if they so desire, to the Council's governing board. The City paid \$3,737 in general membership fees and \$6,635 in stormwater fees to the Council during the fiscal years ended June 30, 2023.

H. Joint Ventures

The City, in conjunction with the Cities of Burlington and Graham, participate in the Alamance Municipal ABC Board. Each participating government appoints board members. The ABC Board is a joint venture established to facilitate control over alcoholic beverages within the Cities. The ABC Board has been in existence for over 38 years and is self-sustaining. The City has an ongoing financial responsibility for the ABC Board because it and the Cities of Burlington and Graham are legally obligated under the intergovernmental agreement that created the ABC Board to honor any deficiencies in the event that proceeds from other default remedies are insufficient. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2023. Complete financial statements for the ABC Board can be obtained from the administrative offices at 603 W. Harden Street, Graham, North Carolina, 27253.

I. Joint Operation

The City of Mebane and the City of Graham are co-owners and operators of a water supply reservoir and water treatment plant per an Intergovernmental Watershed Agreement. Since June 22, 1973, the ownership of the assets and improvements of the joint undertaking remained at 66.7% interest for the City of Graham and 33.3% interest for the City of Mebane. Due to relative growths of the populations in units of government, the parties agreed as February 3, 2014 to adjust the capacity, treatment and operational costs, improvements, upgrades, and repairs to be borne equally by the units. At this time, the City of Mebane also agreed to pay to the City of Graham an equalizing sum of \$2,548,070 for their

City of Mebane, North Carolina
Notes to the Financial Statements
June 30, 2023

capital interest. The amount is to be paid in twenty annual installments of \$127,403 with the first payment due July 31, 2014. No interest is included in the agreement. The balance of the payable as of June 30, 2023 was \$1,401,443.

J. Interlocal Cooperation Agreement

The City of Mebane and the City of Graham entered into an interlocal cooperation agreement for the allocation of Twenty One and Forty Three One Hundredths percent (21.43%) of capacity usage of the City of Graham's wastewater treatment plant. The cost of agreed upon improvements or upgrades to the wastewater treatment plant and the Cherry Lane pump station will be shared by the City of Mebane and the City of Graham based on percentage of capacity usage, as noted above. The duration for the continuation of the agreement is 99 years. The City of Mebane has agreed to pay the City of Graham \$2,682,464 for this capacity usage. The amount is to be paid in twenty annual installments of \$200,000 (payments 1-5), \$150,000 (payments 6-10), \$100,000 (payments 11-15), and \$86,493 (payments 16-20) with the first payment due July 10, 2018. No interest is included in the agreement. The balance of the payable as of June 30, 2023 was \$1,532,464.

K. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The City 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 monies 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 grant monies.

L. Significant Effects of Subsequent Events

In accordance with ASC 855, the City evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

Required Supplementary Information

This section contains additional information required by generally accepted accounting principles.

- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- **Schedule of Contributions to Local Government Employees' Retirement System**
- **Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan**
- **Schedule of Changes in Total Pension Liability (Asset) for Firefighters' and Rescue Squad Workers' Pension Plan**
- **Schedule of Total Pension Liability as a Percentage of Covered Payroll for Law Enforcement Officers' Special Separation Allowance**
- **Schedule of Total Pension Liability as a Percentage of Covered Payroll for Firefighters' Special Separation Allowance**
- **Schedule of Changes in Total OPEB Liability and Related Ratios**



City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Proportionate Share of Net Pension Liability (Asset)
Last Ten Fiscal Years *
June 30, 2023

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mebane's proportion of the net pension liability (asset) (%).....	0.11670%	0.11787%	0.11237%	0.11189%	0.10735%	0.10919%	0.10681%	0.10043%	0.09862%	0.99260%
Mebane's proportion of the net pension liability (asset) (\$).....	\$ 1,849,476	\$ 1,807,650	\$ 4,015,459	\$ 3,055,629	\$ 2,546,709	\$ 1,668,121	\$ 2,266,866	\$ 450,724	\$ (581,608)	\$ 1,116,186
Mebane's covered payroll.....	\$ 8,177,170	\$ 8,101,894	\$ 7,506,863	\$ 7,137,816	\$ 6,539,336	\$ 6,062,960	\$ 5,990,336	\$ 5,169,065	\$ 5,064,935	\$ 4,888,462
Mebane's proportionate share of the net pension liability (asset) as a percentage of its covered payroll.....	22.62%	22.31%	53.49%	42.81%	38.94%	27.51%	37.84%	8.72%	(11.48%)	22.83%
Plan fiduciary net position as a percentage of the total pension liability **.....	84.51%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

** This will be the same percentage for all participant employers in the LGERS plan.

City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Contributions
Last Ten Fiscal Years *
June 30, 2023

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution.....	\$ 1,250,382	\$ 970,164	\$ 671,809	\$ 624,341	\$ 526,288	\$ 364,077	\$ 438,800	\$ 404,627	\$ 376,969	\$ 353,916
Contributions in relation to the										
contractually required contribution...	<u>1,250,382</u>	<u>970,164</u>	<u>671,809</u>	<u>624,341</u>	<u>526,288</u>	<u>364,077</u>	<u>438,800</u>	<u>404,627</u>	<u>376,969</u>	<u>353,916</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mebane's covered payroll.....	\$ 9,580,523	\$ 8,177,170	\$ 8,101,894	\$ 7,506,863	\$ 7,137,816	\$ 6,539,336	\$ 6,062,960	\$ 5,990,336	\$ 5,169,065	\$ 5,064,935
Contributions as a percentage of										
covered payroll.....	13.05%	11.86%	8.29%	8.32%	7.37%	5.57%	7.24%	6.75%	7.29%	6.99%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Required Supplementary Information
City of Mebane's Proportionate Share of Net Pension Liability
Last Nine Fiscal Years *
June 30, 2023

Firefighters' and Rescue Squad Workers' Pension

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mebane's proportionate share of the net pension liability (%).....	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
Mebane's proportionate share of the net pension liability (\$).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the City of Mebane.	<u>26,945</u>	<u>40,756</u>	<u>52,183</u>	<u>53,623</u>	<u>75,430</u>	<u>61,719</u>	<u>45,002</u>	<u>38,775</u>	<u>31,152</u>
Total.....	<u>\$ 26,945</u>	<u>\$ 40,756</u>	<u>\$ 52,183</u>	<u>\$ 53,623</u>	<u>\$ 75,430</u>	<u>\$ 61,719</u>	<u>\$ 45,002</u>	<u>\$ 38,775</u>	<u>\$ 31,152</u>
Mebane's covered payroll.....	\$ 1,982,811	\$ 1,648,356	\$ 1,650,409	\$ 1,534,858	\$ 1,371,047	\$ 1,289,371	\$ 1,227,668	\$ 1,268,042	\$ 945,728
Mebane's proportionate share of the net pension liability (asset) as a percentage of its covered payroll.....	1.36%	2.47%	3.16%	3.49%	5.50%	4.79%	3.67%	3.06%	3.29%
Plan fiduciary net position as a percentage of the total pension liability.....	102.40%	95.80%	92.30%	90.50%	89.35%	94.94%	91.40%	93.42%	92.76%

* The amounts are presented for the prior fiscal year. This schedule is intended to show information for ten years.
 Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Seven Fiscal Years*
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance.....	\$ 1,503,388	\$ 1,372,013	\$ 802,190	\$ 621,186	\$ 574,870	\$ 427,541	\$ 400,968
Service cost.....	91,743	92,414	56,536	49,682	45,895	37,803	35,736
Interest on the total pension liability.....	33,693	26,480	26,151	22,611	18,057	16,370	14,155
Changes of benefit terms.....	-	-	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability.....	(192,084)	59,602	46,055	77,061	23,723	53,293	-
Changes of assumptions or other inputs.....	(248,450)	(47,121)	441,081	31,650	(34,476)	46,746	(14,371)
Benefit payments.....	(11,858)	-	-	-	(6,883)	(6,883)	(8,947)
Other changes.....	-	-	-	-	-	-	-
Ending balance of the total pension liability.....	<u><u>\$ 1,176,432</u></u>	<u><u>\$ 1,503,388</u></u>	<u><u>\$ 1,372,013</u></u>	<u><u>\$ 802,190</u></u>	<u><u>\$ 621,186</u></u>	<u><u>\$ 574,870</u></u>	<u><u>\$ 427,541</u></u>

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.
This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Ten Fiscal Years
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability.....	\$ 1,176,432	\$ 1,503,388	\$ 1,372,013	\$ 802,190	\$ 621,186	\$ 574,870	\$ 427,541	\$ 400,968	\$ 258,154	\$ 238,533
Covered payroll.....	2,184,576	2,088,345	1,971,990	1,889,896	1,622,281	1,553,944	1,443,743	1,443,743	1,228,378	1,097,171
Total pension liability as a percentage of covered payroll...	53.85%	71.99%	69.58%	42.45%	38.29%	36.99%	29.61%	27.77%	21.02%	21.74%

Notes to the Required Schedules

The City of Mebane has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

City of Mebane, North Carolina
Schedule of Changes in Total Pension Liability
Firefighters' Special Separation Allowance
Last Three Fiscal Years**
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning balance.....	\$ 666,001	\$ 637,293	\$ 427,347
Service cost.....	36,408	39,560	27,629
Interest on the total pension liability.....	14,985	12,300	13,932
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability.....	(25,779)	1,618	-
Changes of assumptions or other inputs.....	(133,617)	(24,770)	168,385
Benefit payments.....	-	-	-
Other changes.....	-	-	-
Ending balance of the total pension liability.....	<u>\$ 557,998</u>	<u>\$ 666,001</u>	<u>\$ 637,293</u>

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

**This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Firefighters' Special Separation Allowance
Last Three Fiscal Years**
June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability.....	\$ 557,998	\$ 666,001	\$ 637,293
Covered payroll.....	1,609,805	1,647,382	1,368,060
Total pension liability as a percentage of covered payroll.....	34.66%	40.43%	46.58%

Notes to the Required Schedules

The City of Mebane has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

**This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Mebane, North Carolina
Schedule of Changes in Total OPEB Liability and Related Ratios
Last Six Fiscal Years*
June 30, 2023

<u>Total OPEB Liability</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost.....	\$ 732,681	\$ 699,762	\$ 459,321	\$ 380,966	\$ 402,678	\$ 452,991
Interest	292,415	256,952	289,711	238,114	213,111	183,870
Changes of benefit terms.....	-	-	-	-	-	-
Differences between expected and actual experience.....	(16,611)	297,009	5,490	1,302,981	8,326	(9,652)
Changes of assumptions.....	(3,192,965)	767,656	2,476,778	(115,846)	(384,358)	(663,734)
Benefit payments.....	<u>(148,243)</u>	<u>(138,521)</u>	<u>(106,211)</u>	<u>(112,112)</u>	<u>(97,786)</u>	<u>(74,215)</u>
Net change in total OPEB liability.....	(2,332,723)	1,882,858	3,125,089	1,694,103	141,971	(110,740)
Total OPEB liability - beginning.....	<u>12,878,757</u>	<u>10,995,899</u>	<u>7,870,810</u>	<u>6,176,707</u>	<u>6,034,736</u>	<u>6,145,476</u>
Total OPEB liability - ending.....	<u>\$ 10,546,034</u>	<u>\$ 12,878,757</u>	<u>\$ 10,995,899</u>	<u>\$ 7,870,810</u>	<u>\$ 6,176,707</u>	<u>\$ 6,034,736</u>
Covered payroll.....	8,033,806	7,289,922	6,848,284	6,848,284	6,100,000	6,100,000
Total OPEB liability as a percentage of covered payroll.....	131.27%	176.67%	160.56%	114.93%	101.26%	98.93%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

APPENDIX B
FINANCIAL FEASIBILITY REPORT

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Financial Feasibility Report
City of Mebane, NC

September 10, 2024

Honorable Mayor and City Council
City of Mebane, North Carolina

RE: City of Mebane, NC
Financial Feasibility Study, Series 2024 Bonds (WRRF)

Dear Mayor and Members of the City Council:

The accompanying financial projections for the Combined Water and Sewer Fund (the "System", or "Enterprise Funds") of the City of Mebane, NC (the "City") consist of a forecast of the financial results of operations for each of the Fiscal Years ("FY") from July 1, 2024, through June 30, 2030. The projection presents City staff's estimates of the most probable results of operations and debt service coverage for each year of the forecast period. The projection reflects the City staff's judgment, based upon present circumstances, as to the most likely set of conditions and City staff's most likely course of action.

We have prepared the financial projections in accordance with generally accepted standards for developing such a financial projection. Our analysis included such procedures as we considered necessary to evaluate the assumptions and data provided by City staff to be used in the presentation of the projection. We have no responsibility to update this report for events and circumstances occurring after the date of this report. The accompanying financial projection indicates that, based upon the assumptions presented herein, sufficient revenues are projected to be generated by the System to meet its operations and maintenance, debt service obligation and coverage requirements, and capital cost requirements through Fiscal Year 2030.

Based upon our analysis, we believe that the accompanying financial feasibility report is presented in conformity with generally accepted guidelines for the presentation of a financial projection and that the underlying assumptions provide a reasonable basis for the financial projections. However, there will usually be differences between the projection and actual results, as events and circumstances frequently do not occur as expected, and those differences may be material.

Sincerely,

A handwritten signature in black ink, appearing to read "David Hyder", written in a cursive style.

David Hyder
Senior Principal - Financial Services



City of Mebane, NC

Financial Feasibility Report: Combined Utilities Revenue Bonds, Series 2024 Bonds

September 10, 2024



TABLE OF CONTENTS

- 1. Introduction1**
- 2. Historical Operating Results2**
- 3. Projected Operating Results4**
 - 3.1 Principal Considerations and Assumptions 4
 - 3.2 Projected Operating Results and Debt Service Coverage 5
- 4. Background and Demand For Services8**
 - 4.1 Background and Scope of Operations 8
 - 4.2 Demand for Services 8
- 5. Capital Improvements Plan11**
 - 5.1 Capital Improvement Plans 11
- 6. Financing Plan14**
- 7. Operating and Non-Operating Expenses16**
- 8. Rates, Fees, and Charges18**
 - 8.1 Water and Sewer User Rates 18
 - 8.2 System Development Fees 19
- 9. System Revenues21**
- 10. Fund Balances22**

1. INTRODUCTION

Presented herein is the Financial Feasibility Report (the “Report”) we have prepared on behalf of the City of Mebane, NC (the “City”), which includes the City’s Water and Sewer Fund (the “System” or “Enterprise Funds”). The report provides a summary of the analysis performed in conjunction with the issuance of the Combined Utilities Revenue Bonds, Series 2024 Bonds (the “2024 Bonds”). The 2024 Bonds are being issued for the purposes of (1) financing the expansion of the City’s Water Resource Recovery Facility (WRRF) to a capacity of 4.0 million gallons per day (MGD) and (2) paying the costs of issuance of the 2024 Bonds.

The City has retained Stantec Consulting Services, Inc. (“Stantec”) as the Financial Feasibility Consultant to develop a projection of the financial operations of the System. In preparing this Report, Stantec has relied upon financial, statistical, engineering, and operational information about the System derived from operating reports, data, and records prepared by the City. While we believe that such information is reasonable for the purpose of this Report, no assurances are offered concerning the information. Moreover, actual results realized during the projection period may vary materially from those projected. As such, the projections provided in this Report are subject to change, and Stantec can provide no assurances that the projections will be realized.

This Report summarizes the findings and results as of the date of the Report. Prospective purchasers of, and others associated with, the issuance of the 2024 Bonds, should not rely upon the information contained in this Report for a current description of any matter set forth herein, as of any date after the date of this Report. Changing conditions occurring or becoming known after such date could affect the material presented herein.

2. HISTORICAL OPERATING RESULTS

The historical revenues and expenses of the System for the Fiscal Year (“FY”) 2019 through 2023 are summarized in Table 1. The historical results are based upon audited information from the City’s Annual Comprehensive Financial Reports (“ACFR”). In summary, Gross Revenues less Operating Expenses results in Net Revenues available for existing debt service.

Table 1
Historical Operating Results and Debt Service Coverage
Last Five Fiscal Years

<i>Fiscal Year Ending June 30 (1)</i>					
	2019	2020	2021	2022	2023
1 Operating Revenue					
2 Charges for Services (2)	\$ 5,752,238	\$ 6,119,414	\$ 6,839,089	\$ 7,616,776	\$ 8,334,674
3 Water and Sewer Taps	35,470	12,400	37,002	26,279	18,079
4 System Development Fees	879,026	988,851	1,682,603	1,650,570	1,792,107
5 Miscellaneous (3)	329,088	523,952	594,037	415,476	606,672
6 Total Operating Revenue	\$ 6,995,822	\$ 7,644,617	\$ 9,152,731	\$ 9,709,101	\$ 10,751,532
7 Operating Expenses					
8 Administration	\$ (780,897)	\$ (838,178)	\$ (900,260)	\$ (959,494)	\$ (1,163,192)
9 Utility Maintenance	(2,084,878)	(2,466,408)	(2,632,207)	(2,798,410)	(3,605,415)
10 Engineering	(238,581)	(246,565)	(260,000)	(306,902)	(295,062)
11 Water Resource Recovery Facility	(2,039,446)	(2,084,102)	(2,151,072)	(1,621,109)	(1,778,774)
12 Non-Departmental	(11,498)	(11,111)	-	(64,185)	(28,989)
13 Depreciation	(1,488,275)	(1,551,766)	(1,626,168)	(1,710,866)	(1,875,620)
14 Total Operating Expense	\$ (6,643,575)	\$ (7,198,130)	\$ (7,569,707)	\$ (7,460,966)	\$ (8,747,052)
15 Non-operating Revenues (Expenses)					
16 Interest and Investment Revenue	\$ 63,336	\$ 89,202	\$ 28,073	\$ 14,078	\$ 396,777
17 Other	75,489	16,655	(97,543)	44,539	(99,006)
18 Interest Expense	(112,533)	(100,206)	(87,254)	(196,006)	(214,005)
19 ARPA Grant Proceeds	-	-	-	2,045,130	2,016,944
20 Total Non-operating Revenues (Expenses)	\$ 26,292	\$ 5,651	\$ (156,724)	\$ 1,907,741	\$ 2,100,710
21 Adjustments					
22 Depreciation	\$ 1,488,275	\$ 1,551,766	\$ 1,626,168	\$ 1,710,866	\$ 1,875,620
23 Total Adjustments	\$ 1,488,275	\$ 1,551,766	\$ 1,626,168	\$ 1,710,866	\$ 1,875,620
24 Net Revenue Available For Debt Service	\$ 1,866,814	\$ 2,003,904	\$ 3,052,468	\$ 5,866,742	\$ 5,980,810
25 Add: 15% of Unrestricted Net Position (line 36 * 15%)	\$ 1,385,225	\$ 1,374,104	\$ 1,597,196	\$ 1,553,396	\$ 1,368,139
26 Income Available for Parity Debt Service	\$ 3,252,039	\$ 3,378,008	\$ 4,649,664	\$ 7,420,138	\$ 7,348,949
27 Parity Debt Service					
28 Existing Parity Debt (4)	-	-	-	81,549	1,183,839
29 Total Annual Parity Debt Service	\$ -	\$ -	\$ -	\$ 81,549	\$ 1,183,839
30 <i>Parity Debt Service Coverage (line 26 / 29) with 15% Net Assets Required 1.20</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>90.99</i>	<i>6.21</i>
31 <i>Parity Debt Service Coverage (line 24 / 29) without 15% Net Assets</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>71.94</i>	<i>5.05</i>
32 Total All-In Debt Service Coverage Test					
33 Total Parity Debt Service	-	-	-	81,549	1,183,839
34 Total Other Debt Service (5)	860,463	855,385	849,724	1,132,025	307,138
35 Total Annual Debt Service	\$ 860,463	\$ 855,385	\$ 849,724	\$ 1,213,574	\$ 1,490,977
36 <i>Total Debt Service Coverage (line 24 / 35) Required 1.00 (6)</i>	<i>2.17</i>	<i>2.34</i>	<i>3.59</i>	<i>4.83</i>	<i>4.01</i>
37 Unrestricted Net Position	\$ 9,234,836	\$ 9,160,692	\$ 10,647,973	\$ 10,355,973	\$ 9,120,927
38 Days Cash on Hand	654	592	654	657	484

Notes to Historical Operating Results:

- (1) Source: Historical operating results through June 30th of each year are as reported in each of the City's audited Annual Comprehensive Financial Reports for each respect Fiscal Year.
- (2) Annual usage charges for all water and sewer sales.
- (3) Miscellaneous includes reconnection fees, penalties/late fees, industrial monitoring, construction inspections fees, fire flow test fees and sale of materials.
- (4) The City has two prior series of outstanding revenue bonds including the 2021 Combined Utilities Revenue Bonds and the 2023 Combined Utilities Revenue Bonds. Debt service payments on the 2023 Bonds do not begin until FY 2025.
- (5) Other indebtedness includes payments to the City of Graham for water and sewer system capacity and installment loans for vehicles and equipment.
- (6) Coverage excludes 15% of net position per Master Trust Agreement.

3. PROJECTED OPERATING RESULTS

The estimated and projected annual revenues and expenses of the System for the Fiscal Years beginning on July 1, 2023, and ending June 30, 2030 are based upon the City's Fiscal Year 2025 budget and adjusted annually thereafter for projected growth, rate adjustments, and cost inflation assumptions developed in consultation with City staff. Results for Fiscal Year 2024 are based on the City's estimated actuals. Projected operating results reflect an extension of current economic conditions and historical trends in water demands within the City's service area.

3.1 PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this Report, certain considerations and assumptions were made with respect to future conditions. Stantec believes that although the considerations and assumptions are reasonable for the purpose of this Report, they are dependent upon future events and actual conditions which may differ from those assumed. In addition, it is important to note that certain information and assumptions provided or prepared by others have been used and relied upon in the preparation of this Report. To the extent that actual conditions differ from those assumed herein or from information or assumptions provided or prepared by others, the actual results will vary from those estimated and projected herein.

The principal considerations and assumptions used in the projections of operating results for the System presented herein include the following:

- Customer and consumption growth projections used herein reflect conservative assumptions based upon (i) current local and national economic conditions, (ii) planned developments within the City and (iii) available treatment capacity within the System. The detailed growth assumptions schedule is presented in Section 4 of this Report.
- Future water and sewer rate adjustments have been provided by the City and are based on the City's long-term financial planning activities. Rate increases beyond FY 2025 have not yet been adopted by the City Council, but the Council has been briefed on the future rate adjustment forecast as part of the City's annual financial planning process for the System.
- Operating Expenses were adjusted to account for the future cost of inflation and customer growth. As verified with City staff, inflation is applied to each System's expenses on a categorical basis. The annual escalation factors used in the forecast are discussed in Section 7 of this Report. Note that the financial projection utilizes the City's Adopted Budgets for Fiscal Year 2025, as such, escalation factors are applied in FY 2026 and over the remainder of the forecast period. Operational costs related to the expansion of the water resource recovery facility ("WRRF") have been factored into the operating expenditure forecast and are reflected when the expansion is estimated to be complete in FY 2028.

- The analysis presented herein includes the preliminary annual debt service requirements for the proposed 2024 Bonds as prepared by PNC on August 26, 2024. Anticipated borrowing proceeds are assumed to be utilized for funding identified capital project requirements for the cost of the construction of the of the WRRF expansion to a capacity of 4.0 million gallons per day (MGD).
- Future borrowing requirements were calculated based on projected future capital requirements and available resources. It is projected that the City will require additional borrowings periodically during the remainder of the projection period to fund projected annual capital spending requirements. The assumed future debt service associated with future borrowing assumptions for the City's System was provided by Davenport & Company LLC.

3.2 PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE

Estimated and projected operating results and debt service coverage for Fiscal Years 2024 through 2030 are summarized in Table 2 and reflect the considerations and assumptions discussed herein. Current expenses and revenues have been calculated consistent with the definitions contained within the City's Master Trust Agreement, dated September 1, 2021. The debt service coverage has been calculated consistent with the requirements outlined in Section 4.03 Rate Covenant (the "Rate Covenant") within the Master Trust Agreement. The Rate Covenant states that "The City will fix, charge and collect Rates and, from time to time and as often as it appears necessary or appropriate, will revise its Rates, to meet the following requirements:

- (i) *120% on first-lien debt:* For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the sum of (A) the Income Available for Debt Service for such Fiscal Year and (B) 15% of the System Fund Balance, as shown on the Most Recent Audit, will be not less than 120% of the Long-Term Debt Service Requirement for Parity Indebtedness for that Fiscal Year.
- (ii) *100% on all debt together:* For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the Income Available for Debt Service for that Fiscal Year will not be less than the sum of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinate Indebtedness and that the debt service on all Installment Debt and System G.O. Debt for that Fiscal Year.
- (iii) *Generate sufficient Receipts:* The Receipts will be sufficient in each Fiscal Year (A) to pay Current Expenses, (B) to make the cash deposits required by Sections 2.04(a), (b) and (c) to make the cash deposits required by Subordinate Indebtedness Resolutions with respect to payment of interest on or principal of Subordinate Indebtedness, and (D) to make cash payments required on all Installment Debt and System G.O. Debt."

The debt service coverage shown in Table 2 has been calculated with the application of system development fees as revenues, given that the projects funded with the 2024 Bonds and future borrowing are necessitated to accommodate growth in the System. As such, the City plans to the use the annual revenue generated from the fees to fund a portion of future debt service.

Financial Feasibility Report – 3. Projected Operating Results

Table 2
Projected Operating Results, Debt Service Requirements and Coverage

		<i>Fiscal Year Ending June 30</i>						
		2024	2025	2026	2027	2028	2029	2030
1	Operating Revenue							
2	Charges for Services (1)	\$ 9,272,506	\$ 10,282,957	\$ 12,453,733	\$ 15,008,199	\$ 17,949,021	\$ 21,327,925	\$ 25,203,119
3	Water and Sewer Taps	29,000	18,000	18,000	18,000	18,000	18,000	18,000
4	System Development Fees (2)	2,000,373	2,335,563	3,585,543	2,969,391	2,969,391	2,969,391	2,969,391
5	Miscellaneous (3)	220,289	521,540	523,540	523,540	523,540	523,540	523,540
6	Total Operating Revenue	\$ 11,522,169	\$ 13,158,060	\$ 16,580,817	\$ 18,519,130	\$ 21,459,951	\$ 24,838,855	\$ 28,714,050
7	Operating Expenses (4)							
8	Personnel Services	\$ 3,001,670	\$ 4,199,007	\$ 4,094,790	\$ 4,217,634	\$ 4,344,163	\$ 4,474,488	\$ 4,608,722
9	Professional Services	449,002	381,600	389,232	397,017	404,957	413,056	421,317
10	Services and Contracts	559,816	1,341,440	1,368,269	1,395,634	1,423,547	1,452,018	1,481,058
11	Supplies and Materials	2,978,627	3,028,048	3,118,889	3,212,456	3,694,325	3,805,154	3,919,309
12	Equipment	52,671	172,000	175,440	178,949	182,528	186,178	189,902
13	Other Operating Expense	279,886	509,394	519,582	529,974	540,573	551,384	562,412
14	Total Operating Expense	\$ 7,321,673	\$ 9,631,489	\$ 9,666,202	\$ 9,931,663	\$ 10,590,092	\$ 10,882,279	\$ 11,182,721
15	Non-operating Revenues (Expenses)							
16	Interest and Investment Revenue (5)	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670
17	Total Non-operating Revenues (Expenses)	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670
18	Net Revenue Available For Debt Service	\$ 4,446,178	\$ 3,626,571	\$ 7,022,466	\$ 8,692,154	\$ 11,006,320	\$ 14,127,510	\$ 17,798,999
19	Add: 15% of Unrestricted Net Position (line 40 * 15%)	\$ 1,264,653	\$ 808,891	\$ 785,159	\$ 1,023,454	\$ 1,282,003	\$ 2,007,528	\$ 3,282,401
20	Net Revenue Available For Debt Service	\$ 5,710,831	\$ 4,435,462	\$ 7,807,625	\$ 9,715,609	\$ 12,288,323	\$ 16,135,039	\$ 21,081,400
21	Parity Debt Service Coverage Test							
22	Existing Parity Debt	1,184,225	1,183,356	1,182,238	1,183,849	1,183,183	1,184,238	1,183,012
23	Series 2023 Bonds (6)	-	438,696	438,129	438,610	438,690	438,369	438,646
24	Series 2024 Bonds (7)	-	783,548	3,099,750	3,099,750	4,533,000	4,537,500	4,533,125
25	Future Parity Debt (8)	-	-	-	-	-	165,000	165,000
26	Total Annual Parity Debt Service	\$ 1,184,225	\$ 2,405,600	\$ 4,720,117	\$ 4,722,209	\$ 6,154,873	\$ 6,325,106	\$ 6,319,783
27	Parity Debt Service Coverage (line 20 / 26) with 15% Net Assets Required 1.20	4.82	1.84	1.65	2.06	2.00	2.55	3.34
28	Parity Debt Service Coverage (line 18 / 26) without 15% Net Assets	3.75	1.51	1.49	1.84	1.79	2.23	2.82
29	Total All-In Debt Service Coverage Test							
30	Total Parity Debt Service	\$ 1,184,225	\$ 2,405,600	\$ 4,720,117	\$ 4,722,209	\$ 6,154,873	\$ 6,325,106	\$ 6,319,783
31	Current Outstanding Other Debt (9)	282,209	282,209	282,209	282,209	232,209	232,209	227,403
32	Other Indebtedness (Graham WWTP) (10)	-	232,073	232,073	232,073	232,073	232,073	232,073
33	Vehicle Lease (11)	24,930	118,016	203,541	224,813	208,548	202,282	154,822
34	Total Annual Debt Service	\$ 1,491,364	\$ 3,037,898	\$ 5,437,939	\$ 5,461,304	\$ 6,827,703	\$ 6,991,670	\$ 6,934,081
35	Total Debt Service Coverage (line 18 / 34) Required 1.00 (12)	2.98	1.19	1.29	1.59	1.61	2.02	2.57
36	Other Below the Line Expenses							
37	Cash Funded Capital (Operating Fund)	\$ 1,425,479	\$ 1,789,469	\$ 1,150,000	\$ 790,000	\$ 1,270,000	\$ 1,965,000	\$ 2,080,000
38	Cash Funded Capital (Capital Reserve Fund)	402,859	7,226,885	552,940	818,250	936,075	59,800	2,471,840
39	Net Cash Flow	\$ 1,126,477	\$ (8,427,681)	\$ (118,413)	\$ 1,622,601	\$ 1,972,542	\$ 5,111,040	\$ 6,313,078
40	Ending Unrestricted Cash Balance (13)	\$ 8,431,018	\$ 5,392,609	\$ 5,234,391	\$ 6,823,028	\$ 8,546,687	\$ 13,383,522	\$ 21,882,672
41	Ending Restricted Cash Balance (14)	\$ 7,137,249	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835	\$ 158,763
42	End of Year - Unrestricted Days Cash on Hand	420	204	198	251	295	449	714
43	End of Year - Total Days Cash on Hand	776	271	265	318	366	528	719

Notes to Projected Operating Results:

- (1) FY 2024 charges for service reflect estimated actuals for the fiscal year. FY 2025 charges for service reflect the City's adopted budget. Future years are based on forecasted increases in rates and increases in billed volumes. Table 16 presents the projected rate increases and changes in volumes.
- (2) System Development Fees for FY 2024 are estimated actuals for the fiscal year. Future years are based on adopted fees, estimated future fees and estimated growth in connections to the City's utility systems. Growth projections are discussed in Section 4 of this report.
- (3) Miscellaneous includes reconnection fees, penalties/late fees, industrial monitoring, construction inspections fees, fire flow test fees and sale of materials. FY 2025 is based on the budget with future years remaining flat.
- (4) Operating expenses based on FY 2024 estimated actuals and the FY 2025 adopted budget, unless otherwise noted. Future years based on estimates of inflation by expenditure type. Assumptions are discussed in Section 7 of this report.
- (5) FY 2025 interest is based on the FY 2025 adopted budget. Future years are projected using fund balance and anticipated interest earnings rates.
- (6) Series 2023 Bonds were used to finance the construction of a new elevated storage tank.
- (7) Series 2024 Bonds financing of the City's expansion of the Water Resource Recovery Facility. Assumes project amount of \$67.26 million, 25-year term and 4.33% interest rate with interest only payments in FY 2025, FY 2026 and FY 2027. Sources and uses are shown in Table 8.
- (8) Future bonds for System projects discussed in Section 5 of this report.
- (9) Payments to the City of Graham for water and sewer system capacity.
- (10) Future payments to the City of Graham for additional sewer system capacity. Assumes a 30-year term for the \$6.79 million purchase of capacity at 0.16% interest rate.
- (11) Vehicle and equipment leases including existing and future installment loans. Future installment loans assume a 5-year term at 5% interest rate.
- (12) Coverage excludes 15% of net position per Master Trust Agreement.
- (13) The unrestricted cash balance reflect the ending balance in the City's Operating Fund and excludes non-cash items and cash within the City's Capital Projects Fund.
- (14) The restricted cash balance reflect the ending balance in the City's Capital Reserve Fund which is funded from System Development Fees and is restricted for use on capital expenditures.

4. BACKGROUND AND DEMAND FOR SERVICES

4.1 BACKGROUND AND SCOPE OF OPERATIONS

The water distribution and wastewater collection system (the “System”) is owned and operated by the City of Mebane. The Mebane Public Utilities Department includes 15 full-time and 2 part-time employees. The Director and his staff oversee the daily operations and maintenance of the systems. Their mission is to provide Mebane customers with clean, safe reliable water and to collect wastewater in a manner that protects public health and the environment. Wastewater treatment occurs at the Water Resource and Recovery Facility (WRRF), which is operated by 7 full-time and 2 part-time employees. The WRRF Director and his staff oversee the daily operation and maintenance of the WRRF and are dedicated to the protection of the environment and the prevention of water pollution. Mebane’s Finance Department is responsible for billing and collections for the Utility Fund. Mebane has a Council-Manager form of government, residents elect a Mayor and City Council, who then appoint a professional City Manager to oversee the day-to-day operations of the City. The City Council sets rates for all utilities, and no State or other authority has any regulatory control over the City’s utility rates.

Water System

Mebane maintains 50% ownership in the Graham-Mebane Lake (raw water supply) and Water Treatment Plant (WTP). The City of Graham (Graham) operates and maintains the WTP and related dam/intake/reservoir. The WTP can deliver 12 million gallons daily (MGD) of treated water to the customer base. Combined current Graham and Mebane water use is approximately 4.5 MGD with 4.9 MGD raw water withdrawal from the reservoir. There are also emergency connections with the City of Burlington and Orange-Alamance Water System, Inc. As Mebane and Graham grow, the projected water demands will require future expansion of the WTP and raw water supply. Alternatively, the possible purchase of water from the City of Burlington (a regional provider) would defer the need for future expansions for years (possibly decades).

The Mebane Utilities Department maintains 137 miles of public water lines ranging in size from 2-inch to 24-inch and pumping capacity at the Graham-Mebane WTP of 5.2 MGD. Mebane will have an elevated water storage capacity of 1.3 million gallons with new online storage coming on-line in 2025. Available WTP clearwell storage is 3 million gallons. Additional improvements to the distribution system will be needed to keep pace with growth.

Wastewater System

Mebane operates and maintains the WRRF which has a design capacity of 2.5 MGD. Mebane has also purchased allocation in Graham’s Wastewater Treatment Plant (WWTP) with capacity available of 0.75 MGD. The City’s current use is approximately 1.8 MGD at the WRRF and 50,000 gallons per day (gpd) at the Graham WWTP. Mebane plans to expand the WRRF to a design capacity of 4.0 MGD as outlined in Section 5 of this Report.

Mebane also operates and maintains 21 duplex and triplex wastewater pump stations ranging from 50 gallons per minute (gpm) to 1,745 gpm and 28-miles of force main (3-inch to 16-inch). The City's gravity sewer collection system includes 126 miles of 8-inch to 24-inch lines.

The City has planned capital projects that will reroute 0.30 MGD of wastewater to the Graham WTP to better utilize their 0.75 MGD allocation in the Graham WTP. Other future capital improvement projects include rehabbing portions of the system experiencing inflow/infiltration and upgrading pump stations to keep pace with growth.

4.2 DEMAND FOR SERVICES

The City serves as the provider of water and sewer services to all retail and commercial customers within the City limits and provides utility service to a limited number of customers located outside the City. City staff provided historical water and sewer customer account and consumption data dating back to Fiscal Year 2021. Tables 3 presents the totals for the past four years for the System. The table demonstrates that customer growth has been substantial within the City's System with water customers increasing by an average of approximately 5.3% per year and sewer customer counts increasing by approximately 6.8%. Billed water and sewer volumes have grown over the past four years with water volumes increasing by approximately 9% and sewer sales increasing by approximately 13%.

Table 3
Historical Customer Billed Volumes and Customer Accounts

	<i>Fiscal Year Ending June 30</i>			
	2021 Actual	2022 Actual	2023 Actual	2024 Actual
1 Water Accounts				
2 Inside-City	6,178	6,523	6,836	7,200
3 Outside-City	157	155	152	150
4 Total Water Accounts	6,335	6,678	6,988	7,350
5 <i>Annual Change</i>	363	343	310	362
6 <i>Annual % Change</i>	6.08%	5.41%	4.64%	5.18%
7 Billed Water Flow (1,000 gallons)				
8 Inside-City	565,248	572,222	608,437	616,299
9 Outside-City	8,439	8,248	7,778	7,709
10 Total Water Billed Volumes	573,687	580,470	616,215	624,008
11 <i>Annual Change</i>	76,397	6,783	35,745	7,793
12 <i>Annual % Change</i>	15.36%	1.18%	6.16%	1.26%
13 Sewer Accounts				
14 Inside-City	5,639	5,969	6,267	6,537
15 Outside-City	400	395	400	480
16 Total Sewer Accounts	6,039	6,364	6,667	7,017
17 <i>Annual Change</i>	644	325	303	350
18 <i>Annual % Change</i>	11.94%	5.38%	4.76%	5.25%
19 Billed Sewer Volumes (1,000 gallons)				
20 Inside-City	465,439	462,023	478,256	530,186
21 Outside-City	5,562	4,544	4,279	4,303
22 Total Sewer Billed Volumes	471,001	466,567	482,535	534,489
23 <i>Annual Change</i>	(26,289)	(4,434)	15,968	51,954
24 <i>Annual % Change</i>	-5.29%	-0.94%	3.42%	10.77%

Table 4 presents a forecast of the estimated flows and customer accounts for each system over the projection period. The forecasts were based on the FY 2024 actual results and discussions with City staff regarding anticipated increases in demands. The forecast of customer growth in FY 2025 and FY 2026 is based on known development provided by the City with an estimated 467 units in FY 2025 and 661 in FY 2026. The units represent 1 and 2-bedroom apartments, 3-bedroom homes, 4-bedroom homes and non-residential equivalent residential units (EDUs). For purposes of the study, the number of units are assumed to be equivalent to the number of new accounts. Future years are based on estimates for continued growth with 400 new units for each subsequent year of the projection period. The growth in billed volumes is based on the assumption of 50 gallons per day per bedroom, with non-residential EDUs being equivalent to a 3-bedroom home. The City does not anticipate any growth in customers located outside the City.

Table 4
Projected Customer Billed Volumes and Customer Accounts

	<i>Fiscal Year Ending June 30</i>					
	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
1 Water Accounts						
2 Inside-City	7,667	8,328	8,728	9,128	9,528	9,928
3 Outside-City	150	150	150	150	150	150
4 Total Water Accounts	7,817	8,478	8,878	9,278	9,678	10,078
5 <i>Annual Change</i>	467	661	400	400	400	400
6 <i>Annual % Change</i>	6.35%	8.46%	4.72%	4.51%	4.31%	4.13%
7 Billed Water Flow (1,000 gallons)						
8 Inside-City	670,499	734,099	800,349	866,599	932,849	999,099
9 Outside-City	7,709	7,709	7,709	7,709	7,709	7,709
10 Total Water Billed Volumes	678,208	741,808	808,058	874,308	940,558	1,006,808
11 <i>Annual Change</i>	54,200	63,600	66,250	66,250	66,250	66,250
12 <i>Annual % Change</i>	8.69%	9.38%	8.93%	8.20%	7.58%	7.04%
13 Sewer Accounts						
14 Inside-City	7,004	7,665	8,065	8,465	8,865	9,265
15 Outside-City	480	480	480	480	480	480
16 Total Sewer Accounts	7,484	8,145	8,545	8,945	9,345	9,745
17 <i>Annual Change</i>	467	661	400	400	400	400
18 <i>Annual % Change</i>	6.66%	8.83%	4.91%	4.68%	4.47%	4.28%
19 Billed Sewer Volumes (1,000 gallons)						
20 Inside-City	584,386	647,986	714,236	780,486	846,736	912,986
21 Outside-City	4,303	4,303	4,303	4,303	4,303	4,303
22 Total Sewer Billed Volumes	588,689	652,289	718,539	784,789	851,039	917,289
23 <i>Annual Change</i>	54,200	63,600	66,250	66,250	66,250	66,250
24 <i>Annual % Change</i>	10.14%	10.80%	10.16%	9.22%	8.44%	7.78%

5. CAPITAL IMPROVEMENTS PLAN

5.1 CAPITAL IMPROVEMENT PLANS

The City has provided capital improvement plans through FY 2030 that outline the planned investments in the City's water and sewer infrastructure. The capital plans provide for major system expansions and system replacements as well as minor capital investments in repair and rehabilitation type projects. Tables 5 and 6 present the FY 2024 budgeted capital plan and the projected six-year capital plan for FY 2025 to FY 2030 for the water and sewer systems. The tables also present the anticipated funding sources for each of the capital projects.

Table 5
Water System Capital Improvements Plan

WATER CAPITAL PROJECTS		Funding Source	Fiscal Year Ending June 30								Total
			2024	2025	2026	2027	2028	2029	2030		
1	Water Distribution										
2	Elevated Storage Tank - Bond	Series 2023 Bonds	\$ 5,773,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,773,000	
3	Elevated Storage Tank - Grant	State Appropriation	2,652,990							\$ 2,652,990	
4	Meters (8100)	Pay-Go	180,000	170,000	180,000	190,000	190,000	200,000	200,000	\$ 1,310,000	
5	Utility Oversizing	Pay-Go	200,000	-	-	-	-	-	-	\$ 200,000	
6	Bowman - West Ten Road Connector & OAWS Interconnect	SDF (Capital Reserve)	-	-	325,000	-	-	-	-	\$ 325,000	
7	Bowman - West Ten Road Connector & OAWS Interconnect	Capital Project Fund	135,000	-	-	-	-	-	-	\$ 135,000	
8	Water Line Rehab	Pay-Go	92,377	17,000	250,000	-	-	200,000	200,000	\$ 759,377	
9	Water Treatment										
10	Water Plant Capital	SDF (Capital Reserve)	375,000	140,750	57,500	240,000	25,000	-	-	\$ 838,250	
11	Water Plant Capital	Series 2030 Bonds	-	-	-	-	-	1,000,000	9,110,750	\$ 10,110,750	
12	Pump & Line Upgrades	SDF (Capital Reserve)	-	-	-	-	-	-	2,460,000	\$ 2,460,000	
13	Vehicles and Equipment										
14	Vehicles and Equipment (Cash)	Pay-Go	300,520	-	50,000	-	80,000	65,000	50,000	\$ 545,520	
15	Vehicles and Equipment (Lease)	Installment Loans	-	155,000	-	185,000	-	-	-	\$ 340,000	
16	Total Capital Budget (in current dollars)		\$ 9,708,887	\$ 482,750	\$ 862,500	\$ 615,000	\$ 295,000	\$ 1,465,000	\$12,020,750	\$ 25,449,887	
17	Capital Funding by Source										
18	State Appropriation		\$ 2,652,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,652,990	
19	Series 2023 Bonds		5,773,000	-	-	-	-	-	-	\$ 5,773,000	
20	Series 2030 Bonds		-	-	-	-	-	1,000,000	9,110,750	\$ 10,110,750	
21	Installment Loans		-	155,000	-	185,000	-	-	-	\$ 340,000	
22	SDF (Capital Reserve)		375,000	140,750	382,500	240,000	25,000	-	2,460,000	\$ 3,623,250	
23	Pay-Go		772,897	187,000	480,000	190,000	270,000	465,000	450,000	\$ 2,814,897	
24	Capital Project Fund		135,000	-	-	-	-	-	-	\$ 135,000	
25	Total Water Capital Funding		\$ 9,708,887	\$ 482,750	\$ 862,500	\$ 615,000	\$ 295,000	\$ 1,465,000	\$12,020,750	\$ 25,449,887	

Table 6
Sewer System Capital Improvements Plan

SEWER CAPITAL PROJECTS	Funding Source	Fiscal Year Ending June 30							Total Cost
		2024	2025	2026	2027	2028	2029	2030	
1 Collection System									
2 3rd Pump at N Regional	SDF (Capital Reserve)	\$ -	\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ 95,000
3 I & I Repair - Manhole Rehab & Sliplining	State Appropriation	-	900,000	-	-	-	-	-	\$ 900,000
4 I & I Repair - Manhole Rehab & Sliplining	Pay-Go	-	-	500,000	500,000	500,000	500,000	500,000	\$ 2,500,000
5 Jones Rd Outfall	SDF (Capital Reserve)	-	-	-	112,500	887,500	-	-	\$ 1,000,000
6 Utility Oversizing	Pay-Go	150,000	-	-	-	-	-	-	\$ 150,000
7 GE Pump Station & Force Main Rebuild	Pay-Go	50,000	-	-	-	-	-	-	\$ 50,000
8 GE Pump Station & Force Main Rebuild	Series 2028 Bonds	-	-	-	-	1,250,000	2,000,000	-	\$ 3,250,000
9 Wal-Mart Pump Station Abandonment	Pay-Go	-	-	-	-	500,000	-	-	\$ 500,000
10 Third Street Outfall	Pay-Go	50,000	-	-	-	-	-	1,000,000	\$ 1,050,000
11 Fieldstone Pump Station Rehab	Pay-Go	-	-	-	-	-	1,000,000	-	\$ 1,000,000
12 Water Resource Recovery Facility									
13 WRRF Expansion to 4.0 MGD	Series 2024 Bonds (WRRF)	-	67,260,146	-	-	-	-	-	\$ 67,260,146
14 WRRF Expansion to 4.0 MGD	State Appropriation	-	2,100,000	-	-	-	-	-	\$ 2,100,000
15 WRRF Expansion to 4.0 MGD	SDF (Capital Reserve)	-	7,000,000	-	-	-	-	-	\$ 7,000,000
16 WRRF Expansion to 4.0 MGD	ARPA Funds	-	11,925,000	-	-	-	-	-	\$ 11,925,000
17 WRRF Expansion to 4.0 MGD	Pay-Go	-	1,602,469	-	-	-	-	-	\$ 1,602,469
18 WRRF Expansion to 4.0 MGD	Capital Project Fund	-	3,580,189	-	-	-	-	-	\$ 3,580,189
19 Graham WWTP Capital Improvements	SDF (Capital Reserve)	27,859	86,135	75,440	465,750	23,575	59,800	11,840	\$ 750,399
20 AB Electrical Upgrade - Aerator	Pay-Go	11,000	-	-	-	-	-	-	\$ 11,000
21 Aeration basin nutrient analyzer	Pay-Go	25,000	-	-	-	-	-	-	\$ 25,000
22 Polymer skid	Pay-Go	-	-	35,000	-	-	-	-	\$ 35,000
23 Rotary Drum Thickener Rehab	Pay-Go	-	-	100,000	-	-	-	-	\$ 100,000
24 Aqua Guard Influent Screen Rehab	Pay-Go	-	-	-	100,000	-	-	-	\$ 100,000
25 WAS Pump Replacement	Pay-Go	-	-	-	-	-	-	30,000	\$ 30,000
26 Insite IG Online Monitoring Equipment - Aeration Basin # 2	Pay-Go	12,720	-	-	-	-	-	-	\$ 12,720
27 ProMnent Chlorine Analyzer	Pay-Go	13,342	-	-	-	-	-	-	\$ 13,342
28 Roof Repair - Thickener Building	Pay-Go	40,000	-	-	-	-	-	-	\$ 40,000
29 Biosolids Planning study	Pay-Go	-	-	-	-	-	-	100,000	\$ 100,000
30 Vehicles and Equipment									
31 Vehicles and Equipment (Cash)	Pay-Go	300,520	-	35,000	-	-	-	-	\$ 335,520
32 Vehicles and Equipment (Lease)	Installment Loans	-	603,750	-	-	-	-	150,000	\$ 753,750
33 Total Capital Budget (in current dollars)		\$ 680,441	\$ 95,057,689	\$ 840,440	\$ 1,178,250	\$ 3,161,075	\$ 3,559,800	\$ 1,791,840	\$ 106,269,535
34 Capital Funding by Source									
35 State Appropriation		\$ -	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
36 Series 2024 Bonds (WRRF)		-	67,260,146	-	-	-	-	-	\$ 67,260,146
37 ARPA Funds		-	11,925,000	-	-	-	-	-	\$ 11,925,000
38 Series 2028 Bonds		-	-	-	-	1,250,000	2,000,000	-	\$ 3,250,000
39 Installment Loans		-	603,750	-	-	-	-	150,000	\$ 753,750
40 SDF (Capital Reserve)		27,859	7,086,135	170,440	578,250	911,075	59,800	11,840	\$ 8,845,399
41 Capital Project Fund		-	3,580,189	-	-	-	-	-	\$ 3,580,189
42 Pay-Go		652,582	1,602,469	670,000	600,000	1,000,000	1,500,000	1,630,000	\$ 7,655,051
43 Total Sewer Capital Funding		\$ 680,441	\$ 95,057,689	\$ 840,440	\$ 1,178,250	\$ 3,161,075	\$ 3,559,800	\$ 1,791,840	\$ 106,269,535

The City plans to fund the water and sewer system capital improvement plans from several different funding sources. The planned funding sources reflected in this Report represent estimates of planned funding at this time. A summary of the capital plan funding is shown in Table 7 and a description of the anticipated funding sources for the capital improvement projects is provided following the table.

Table 7
Summary of Water and Sewer Capital Plan Funding

Total Project Amounts	Fiscal Year Ending June 30							Total
	2024	2025	2026	2027	2028	2029	2030	
1 Total Water Projects	\$ 9,708,887	\$ 482,750	\$ 862,500	\$ 615,000	\$ 295,000	\$ 1,465,000	\$ 12,020,750	\$ 25,449,887
2 Total Sewer Projects	680,441	95,057,689	840,440	1,178,250	3,161,075	3,559,800	1,791,840	\$ 106,269,535
3 Total Capital Improvements Plan	\$ 10,389,328	\$ 95,540,439	\$ 1,702,940	\$ 1,793,250	\$ 3,456,075	\$ 5,024,800	\$ 13,812,590	\$ 131,719,422
4 Sources of Funds								
5 Pay-Go (User Rates)	\$ 1,425,479	\$ 1,789,469	\$ 1,150,000	\$ 790,000	\$ 1,270,000	\$ 1,965,000	\$ 2,080,000	\$ 10,469,948
6 Capital Reserve Fund (SDF)	402,859	7,226,885	552,940	818,250	936,075	59,800	2,471,840	\$ 12,468,649
7 Capital Project Fund	135,000	3,580,189	-	-	-	-	-	\$ 3,715,189
8 State Appropriation	2,652,990	3,000,000	-	-	-	-	-	\$ 5,652,990
9 ARPA Funds	-	11,925,000	-	-	-	-	-	\$ 11,925,000
10 Installment Loans	-	758,750	-	185,000	-	-	150,000	\$ 1,093,750
11 Series 2023 Bonds	5,773,000	-	-	-	-	-	-	\$ 5,773,000
12 Series 2024 Bonds (WRRF)	-	67,260,146	-	-	-	-	-	\$ 67,260,146
13 Series 2028 Bonds	-	-	-	-	1,250,000	2,000,000	-	\$ 3,250,000
14 Series 2030 Bonds	-	-	-	-	-	1,000,000	9,110,750	\$ 10,110,750
15 Total Sources of Funds	\$ 10,389,328	\$ 95,540,439	\$ 1,702,940	\$ 1,793,250	\$ 3,456,075	\$ 5,024,800	\$ 13,812,590	\$ 131,719,422

- **Pay-Go (User Rates):** Represents the use of revenues generated from the annual water and sewer charges for service. The City anticipates using rate revenue to fund routine capital maintenance projects and for repair and replacement projects.
- **Capital Reserve Fund (SDF):** The City collects system development fees from new connections into the system. Per North Carolina State Statutes, the City can use the proceeds from these fees to fund capital improvement projects within the System. The City anticipates using water SDF revenues to fund various capital projects that are growth related as identified in Tables 5 and 6.
- **Capital Project Fund:** The City maintains a Capital Project Fund to account for and track capital project spending. Funds are transferred to the Capital Project Fund from the Operating Fund and/or the Capital Reserve Fund. During the forecast period, the City has funds designated for one water capital project and one sewer capital project as shown in Tables 5 and 6 for which prior funds transferred to the Capital Project Fund are available.
- **Future Bonds:** Projects funded with future Revenue Bonds, as described in the following subsection of this Report. Debt service associated with future bonds is presented in Table 9.
- **North Carolina State Appropriation:** The City received \$2.6 million in North Carolina State Appropriation funding for the new Elevated Storage Tank. Additional funding from the State has been awarded including \$0.9 million of the Manhole Rehab & Slip-lining project and \$2.1 million for the WRRF Expansion.
- **American Rescue Plan Act (ARPA):** The City has received ARPA funding totaling \$11.93 million which the City plans to use to fund a portion of the WRRF expansion.

Projects to be funded with the 2024 Bonds

Water Resource Recovery Facility (WRRF) Expansion: The WRRF is the wastewater treatment facility serving Mebane customers. The WRRF has a treatment design capacity of 2.5 MGD with usage currently at 1.8 MGD.

The proposed expansion to 4.0 MGD design capacity is needed to serve expected growth from projects currently under construction, projects approved but not started, and those that have been submitted but not yet approved. Known new development totals more than 5,000 residential units and millions of square feet of industrial and commercial property. Wastewater flows generated from new development is expected to increase flows annually by 65,000 gallons per day to the WRRF. The expansion should serve Mebane to 2050 when additional capacity may be needed.

The WRRF expansion project has been designed, permitted, and placed out for bid with bids due August 16, 2024. With funding approval construction is expected to start in December 2024 and be completed by December 2027. The total project cost is \$93.48 million of which approximately \$67.26 million will be funded with the 2024 Bonds. The remaining portion will be funded with the North Carolina State Appropriation of \$2.10 million, American Rescue Plan Act funding of \$11.93, \$3.58 million from the Capital Projects Fund, \$1.60 million from Pay-Go and \$7.00 million from the Capital Reserve Fund.

6. FINANCING PLAN

Davenport & Company, LLC has provided the City with various financing strategies for the applicable capital improvement projects funded through the 2024 Bonds. The City has selected a financing plan designed to accomplish the following objectives:

- Conform with credit criteria established by rating agencies;
- Minimize debt service and related charges;
- Provide funds most cost-effectively; and
- Conform to the covenants within the City's Master Trust Agreement.

This Report assumes that the 2024 Bonds will be sold, and the proceeds will be available before the end of October 2024, resulting in approximately \$67.26 million in proceeds to finance the project described in Section 5 of this Report. The estimated sources and uses of funds schedule for the 2024 Bonds, as assumed in this Financial Feasibility Report, and reflecting current market conditions, are presented in Table 8. The table also presents the estimated sources and uses for future bond issues.

Table 8
Sources and Uses of Funds

		Series 2024 (WRRF Project)		Future Bonds	
				2028	2030
1	Sources of Funds:				
2	Bond Proceeds:				
3	Par Amount	\$	67,260,146	\$	3,250,000
4	Net Premium		-		-
5		\$	67,260,146	\$	3,250,000
6	Uses of Funds:				
7	Project Fund Deposits:				
8	Project Fund	\$	67,260,146	\$	3,250,000
9	Delivery Date Expenses:				
10	Cost of Issuance		-		-
11	Underwriter's Discount		-		-
12		\$	-	\$	-
13	Other Uses of Funds:				
14	Additional Proceeds		-		-
		\$	67,260,146	\$	3,250,000

Table 9 presents the existing and proposed long-term debt service for the City incorporating the future borrowing represented in Table 8.

Table 9
Existing and Proposed Long-Term Debt Service

		<i>Fiscal Year Ending June 30</i>					
		2024	2025	2026	2027	2028	2029
		Actual	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
1 Existing Parity Indebtedness							
2 Series 2021 Revenue Bond							
3 Principal	\$	980,000	\$ 995,000	\$ 1,010,000	\$ 1,028,000	\$ 1,044,000	\$ 1,062,000
4 Interest		204,225	188,356	172,238	155,849	139,183	122,238
5 Subtotal	\$	1,184,225	\$ 1,183,356	\$ 1,182,238	\$ 1,183,849	\$ 1,183,183	\$ 1,184,238
6 Series 2023 Bonds							
7 Principal	\$	-	\$ 232,000	\$ 191,000	\$ 200,000	\$ 209,000	\$ 218,000
8 Interest		-	206,696	247,129	238,610	229,690	220,369
9 Subtotal	\$	-	\$ 438,696	\$ 438,129	\$ 438,610	\$ 438,690	\$ 438,369
10 Existing Other Indebtedness							
11 DNR Water Quality	\$	4,806	\$ 4,806	\$ 4,806	\$ 4,806	\$ 4,806	\$ 4,806
12 Graham Water Capacity		127,403	127,403	127,403	127,403	127,403	127,403
13 Graham Sewer Capacity		150,000	150,000	150,000	150,000	100,000	100,000
14 Total Other Indebtedness	\$	282,209	\$282,209	\$282,209	\$282,209	\$232,209	\$232,209
15 Installment Loans (Vehicles)							
16 Principal	\$	24,466	\$ 103,058	\$ 176,770	\$ 161,797	\$ 151,750	\$ 151,750
17 Interest		463	14,958	26,771	20,285	14,067	7,802
18 Subtotal	\$	24,930	\$ 118,016	\$ 203,541	\$ 182,082	\$ 165,817	\$ 159,552
19 Total Existing Debt Service	\$	1,491,364	\$ 2,022,277	\$ 2,106,116	\$ 2,086,750	\$ 2,019,899	\$ 2,014,367
20 Proposed Debt Service							
21 Future Parity Indebtedness							
22 Series 2024 Bonds (WRRF)							
23 Principal	\$	-		\$ -	\$ -	\$ 1,470,000	\$ 1,550,000
24 Interest		-	783,548	3,099,750	3,099,750	3,063,000	2,987,500
25 Subtotal	\$	-	\$ 783,548	\$ 3,099,750	\$ 3,099,750	\$ 4,533,000	\$ 4,537,500
26 Series 2028 Bonds							
27 Principal	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
28 Interest		-	-	-	-	-	165,000
29 Subtotal	\$	-	\$ -	\$ -	\$ -	\$ -	\$ 165,000
30 Future Subordinated Indebtedness							
31 Graham WWTP Debt							
32 Principal	\$	-	\$ 232,073	\$ 232,073	\$ 232,073	\$ 232,073	\$ 232,073
33 Interest		-	-	-	-	-	-
34 Subtotal	\$	-	\$ 232,073	\$ 232,073	\$ 232,073	\$ 232,073	\$ 232,073
35 Installment Loans (Vehicles)							
36 Principal	\$	-	\$ -	\$ -	\$ 33,480	\$ 35,154	\$ 36,912
37 Interest		-	-	-	9,250	7,576	5,818
38 Subtotal	\$	-	\$ -	\$ -	\$ 42,730	\$ 42,730	\$ 42,730
39 Total Proposed Debt Service	\$	-	\$ 1,015,621	\$ 3,331,823	\$ 3,374,553	\$ 4,807,803	\$ 4,977,303
40 Total Annual Debt Service	\$	1,491,364	\$ 3,037,898	\$ 5,437,939	\$ 5,461,304	\$ 6,827,703	\$ 6,991,670

7. OPERATING AND NON-OPERATING EXPENSES

Expenditures are categorized as operating expenses and non-operating expenses. Operating expenses represent normal recurring expenses. Projected operating expenses are based on budget information from the FY 2025 adopted budget. For future years, costs are escalated for each of the budgetary line items assuming an annual increase across the budget categories, based on historical trends and discussions with City staff. The escalation factors used annually in the forecast are shown below:

Personnel Services:	3%
Professional Services:	2%
Services and Contracts:	2%
Supplies and Materials:	3%
Equipment:	5%
Other Operating Expense:	2%
Minor Capital Outlay:	3%

In addition to the application of the inflation factors, there are two adjustments made to future expenditures given the City knowledge of specific changes in expenses. In FY 2026, costs for Personnel Services will be reduced as the City will no longer be subject to a 10.5% penalty for contribution to the State retirement system. Additionally, it should be noted that in FY 2028 the costs for Supplies and Materials are anticipated to increase by 15% as a result of the WRRF expansion. Non-operating expenses include debt service costs for existing and proposed debt. Proposed debt obligations include the 2024 Bonds and the anticipated future debt issues (discussed in Section 6). Interest payments from debt service on the 2024 Bonds are assumed to begin in FY 2025, as indicated in the amortization schedule. Other budgeted expenditures include Pay-Go (i.e., cash-funded capital projects from current revenues and reserves). Tables 5 and 6 show the anticipated projects that will be funded by cash from current revenues and reserves throughout the forecast for the water and sewer systems respectively. Table 10 presents a combined forecast of operating and non-operating expenses over the projection period.

Table 10
Operating and Non-Operating Expenditure Projection

<i>Fiscal Year Ending June 30</i>							
	2024	2025	2026	2027	2028	2029	2030
	Estimated Actuals	Budgeted	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted
1 Operating Expenses							
2 Personnel Services	\$ 3,001,670	\$ 4,199,007	\$ 4,094,790	\$ 4,217,634	\$ 4,344,163	\$ 4,474,488	\$ 4,608,722
3 Professional Services	\$ 449,002	381,600	389,232	397,017	404,957	413,056	421,317
4 Services and Contracts	\$ 559,816	1,341,440	1,368,269	1,395,634	1,423,547	1,452,018	1,481,058
5 Supplies and Materials	\$ 2,978,627	3,028,048	3,118,889	3,212,456	3,694,325	3,805,154	3,919,309
6 Equipment	\$ 52,671	172,000	175,440	178,949	182,528	186,178	189,902
7 Other Operating Expense	\$ 279,886	509,394	519,582	529,974	540,573	551,384	562,412
8 Total Operating Expense	\$ 7,321,673	\$ 9,631,489	\$ 9,666,202	\$ 9,931,663	\$ 10,590,092	\$ 10,882,279	\$ 11,182,721
9 % Change		31.5%	0.4%	2.7%	6.6%	2.8%	2.8%
10 Capital and Debt Expenses							
11 Pay-Go Funded Capital	\$ 1,425,479	\$ 1,789,469	\$ 1,150,000	\$ 790,000	\$ 1,270,000	\$ 1,965,000	\$ 2,080,000
12 SDF (Capital Reserve)	402,859	7,226,885	552,940	818,250	936,075	59,800	2,471,840
13 Current Outstanding Other Debt	282,209	282,209	282,209	282,209	232,209	232,209	227,403
14 Vehicle & Equipment Lease	24,930	118,016	203,541	224,813	208,548	202,282	154,822
15 Series 2021 Bonds	1,184,225	1,183,356	1,182,238	1,183,849	1,183,183	1,184,238	1,183,012
16 Graham WWTP Debt	-	232,073	232,073	232,073	232,073	232,073	232,073
17 Series 2023 Bonds	-	438,696	438,129	438,610	438,690	438,369	438,646
18 Series 2024 Bonds (WRRF)	-	783,548	3,099,750	3,099,750	4,533,000	4,537,500	4,533,125
19 Series 2028 Bonds	-	-	-	-	-	165,000	165,000
20 Series 2030 Bonds	-	-	-	-	-	-	-
20 Total Capital and Debt Expenses	\$ 3,319,702	\$ 12,054,252	\$ 7,140,879	\$ 7,069,554	\$ 9,033,778	\$ 9,016,470	\$ 11,485,922
21 Total Expenses	\$ 10,641,374	\$ 21,685,741	\$ 16,807,081	\$ 17,001,217	\$ 19,623,870	\$ 19,898,749	\$ 22,668,642
22 % Change		103.8%	-22.5%	1.2%	15.4%	1.4%	13.9%

8. RATES, FEES, AND CHARGES

The City Council has the authority under North Carolina State Statutes to establish and collect rates, fees, and other charges to recover the cost of providing water and sewer service, as well as to establish and collect system development fees for the connection to the System. The City's current rates, fees, and charges have been established through a series of resolutions and are not subject to approval by any other local or state agency.

8.1 WATER AND SEWER USER RATES

The City collects variable monthly charges for recovering the cost of operating, maintaining, and expanding the System, including operating and maintenance costs, capital project requirements, debt service expenses and corresponding net income to debt service coverage ratios, and adequate levels of reserves. The City generates revenues to meet the needs of the System from water and sewer usage rates.

Water Usage Rates: The City assesses water usage rates based on the metered quantities of water measured for each customer account. The rates are charged on a per 1,000-gallon basis and the rates are the same for all classes of customers. The City assess a minimum bill which includes 1,000 gallons of water (all customers are billed for this minimum quantity of water per month regardless of use below 1,000 gallons). Water use above the minimum is charged at a per 1,000-gallon rate. The same water rate is applied to all use per 1,000 gallons (i.e., the same rate is applied to usage in the minimum and beyond the 1,000 gallons).

Sewer Usage Rates: The City assesses the sewer usage rate based on the metered quantities of water measured for each customer account. The sewer usage rates are charged on a per 1,000-gallon of water usage basis and the rates are the same for all classes of customers. The City assess a minimum bill for sewer in the same manner as water.

The City maintains water and sewer rates for customers located within the City boundaries and separate rates for customers served outside the City. The out-of-City rates are approximately 2.00 times the in-City rates. The following table provides historical water and sewer rate increases the City has adopted and implemented over the last six fiscal years.

Table 11
Historical Water and Sewer Rate Changes

Fiscal Year	Water Rate Change	Sewer Rate Change
2019	5%	5%
2020	0%	0%
2021	0%	0%
2022	10%	10%
2023	6%	6%
2024	6%	6%

Tables 12 and 13 present the in-City water and sewer user rates that are currently in place for FY 2025 and a forecast over the projection period. It should be noted that the forecasted charges have not been adopted by the City Council. The rate forecasts have been shared with the City Council during public meetings. The projected revenues outlined in Table 2 and discussed in Section 9 of this Report, are based on the projected charges shown in Tables 12 and 13.

Table 12
Current and Projected Water User Rates

	<i>Fiscal Year Ending June 30</i>					
	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Water Rate Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Water Usage Rate per 1,000 gallons						
Inside City Limits	\$ 8.31	\$ 9.14	\$ 10.06	\$ 11.07	\$ 12.17	\$ 13.39
Outside City Limits	\$ 16.63	\$ 18.29	\$ 20.12	\$ 22.13	\$ 24.34	\$ 26.78

Table 13
Current and Projected Sewer User Rates

	<i>Fiscal Year Ending June 30</i>					
	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Sewer Rate Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Sewer Usage Rate per 1,000 gallons						
Inside City Limits	\$ 8.93	\$ 9.82	\$ 10.81	\$ 11.89	\$ 13.08	\$ 14.38
Outside City Limits	\$ 17.86	\$ 19.65	\$ 21.62	\$ 23.78	\$ 26.15	\$ 28.77

Table 14 shows the actual and projected monthly water and sewer bills for a typical residential customer from FY 2024 through FY 2030 and the annual percentage increase in the monthly bill each year. A typical residential customer is defined 5,000 gallons of water per month.

Table 14
Typical Monthly Customer Bills

	<i>Fiscal Year Ending June 30</i>					
	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Water Bill	\$ 41.57	\$ 45.72	\$ 50.30	\$ 55.33	\$ 60.86	\$ 66.95
Sewer Bill	\$ 44.66	\$ 49.12	\$ 54.04	\$ 59.44	\$ 65.38	\$ 71.92
Combined Bill	\$ 86.23	\$ 94.85	\$ 104.33	\$ 114.77	\$ 126.24	\$ 138.87
Percent Change	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

8.2 SYSTEM DEVELOPMENT FEES

The City requires that all new and expanded capacity connections to the water and sewer systems pay system development fees. The fees were reviewed this year by Stantec Consulting and the newly calculated fees were adopted by the City Council for implementation at the beginning of FY 2025. The fees

are assessed based number of bedrooms for residential connections and on meter size for non-residential. The City anticipates evaluating the fees for FY 2026 given the cost increases associated with the WRRF expansion. Stantec has developed preliminary estimate of the sewer system development fees given the cost of the WRRF expansion. For purposes of the forecast, the sewer system development fees are projected to increase in FY 2026 based on the Stantec estimate and the water system development fees are held constant, as shown in tables below. It should be noted that the City Council has not adopted the increased sewer system development fees for FY 2026 but the Council has been briefed on the potential for an increase given the cost of the WRRF expansion.

Table 15
Water System Development Fees

	<i>Fiscal Year Ending June 30</i>					
	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Residential						
2 Bedroom	\$ 1,029	\$ 1,029	\$ 1,029	\$ 1,029	\$ 1,029	\$ 1,029
3 Bedroom	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558
4 Bedroom	\$ 2,073	\$ 2,073	\$ 2,073	\$ 2,073	\$ 2,073	\$ 2,073
5 Bedroom	\$ 2,587	\$ 2,587	\$ 2,587	\$ 2,587	\$ 2,587	\$ 2,587
Non-Residential						
3/4"	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558	\$ 1,558
1"	\$ 2,597	\$ 2,597	\$ 2,597	\$ 2,597	\$ 2,597	\$ 2,597
1.5"	\$ 5,195	\$ 5,195	\$ 5,195	\$ 5,195	\$ 5,195	\$ 5,195
2"	\$ 8,311	\$ 8,311	\$ 8,311	\$ 8,311	\$ 8,311	\$ 8,311
3"	\$ 18,181	\$ 18,181	\$ 18,181	\$ 18,181	\$ 18,181	\$ 18,181
4"	\$ 32,726	\$ 32,726	\$ 32,726	\$ 32,726	\$ 32,726	\$ 32,726
6"	\$ 67,530	\$ 67,530	\$ 67,530	\$ 67,530	\$ 67,530	\$ 67,530
8"	\$ 145,450	\$ 145,450	\$ 145,450	\$ 145,450	\$ 145,450	\$ 145,450
10"	\$ 218,175	\$ 218,175	\$ 218,175	\$ 218,175	\$ 218,175	\$ 218,175

Table 16
Sewer System Development Fees

	<i>Fiscal Year Ending June 30</i>					
	2025 Actual	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
Residential						
2 Bedroom	\$ 2,598	\$ 3,258	\$ 3,258	\$ 3,258	\$ 3,258	\$ 3,258
3 Bedroom	\$ 3,936	\$ 4,936	\$ 4,936	\$ 4,936	\$ 4,936	\$ 4,936
4 Bedroom	\$ 5,234	\$ 6,564	\$ 6,564	\$ 6,564	\$ 6,564	\$ 6,564
5 Bedroom	\$ 6,533	\$ 8,193	\$ 8,193	\$ 8,193	\$ 8,193	\$ 8,193
Non-Residential						
3/4"	\$ 3,936	\$ 4,936	\$ 4,936	\$ 4,936	\$ 4,936	\$ 4,936
1"	\$ 6,559	\$ 8,226	\$ 8,226	\$ 8,226	\$ 8,226	\$ 8,226
1.5"	\$ 13,119	\$ 16,452	\$ 16,452	\$ 16,452	\$ 16,452	\$ 16,452
2"	\$ 20,990	\$ 26,323	\$ 26,323	\$ 26,323	\$ 26,323	\$ 26,323
3"	\$ 45,916	\$ 57,582	\$ 57,582	\$ 57,582	\$ 57,582	\$ 57,582
4"	\$ 82,648	\$ 103,648	\$ 103,648	\$ 103,648	\$ 103,648	\$ 103,648
6"	\$ 170,544	\$ 213,877	\$ 213,877	\$ 213,877	\$ 213,877	\$ 213,877
8"	\$ 367,325	\$ 460,659	\$ 460,659	\$ 460,659	\$ 460,659	\$ 460,659
10"	\$ 550,988	\$ 690,988	\$ 690,988	\$ 690,988	\$ 690,988	\$ 690,988

9. SYSTEM REVENUES

To meet the financial obligations of the 2024 Bonds, other debt service obligations and system expenditures, the City's revenue requirements must be recovered exclusively from revenues associated with the rates, fees, and service charges. Table 17 presents the projection of operating and non-operating revenues during the projection period.

Operating revenues are comprised of revenues from water and sewer user rates collected from water and sewer customers as outlined in Sections 8 and 4 of this Report, respectively. Note that Operating Revenues in FY 2024 are based on estimated actuals and FY 2025 are based on the City's budget. Miscellaneous revenues include lease income, tap fees, and user surcharges and are based on the City's FY 2025 Budget. Miscellaneous revenues have been held constant over the projection period. Non-operating revenues include late fees, grants, sale of materials and other miscellaneous revenues.

Table 17
Estimated Annual System Revenues

	Fiscal Year Ending June 30						
	2024 Estimated Actuals	2025 Budget	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast
1 Annual Rate Adjustments							
2 <i>Rate Increase - Water</i>	6.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
3 <i>Rate Increase - Sewer</i>	6.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
4 Annual Growth in Volumes Sold							
5 <i>Change in Water Volumes</i>	1.3%	8.7%	9.4%	8.9%	8.2%	7.6%	7.0%
6 <i>Change in Sewer Volumes</i>	10.8%	10.1%	10.8%	10.2%	9.2%	8.4%	7.8%
7 Operating Revenue							
8 Water Charges for Services	\$ 4,581,764	\$ 5,071,352	\$ 6,101,619	\$ 7,311,202	\$ 8,701,686	\$ 10,297,154	\$ 12,124,700
9 Sewer Charges for Services	4,690,742	5,211,605	6,352,115	7,696,997	9,247,335	11,030,770	13,078,419
10 Total Rate Revenue	\$ 9,272,506	\$ 10,282,957	\$ 12,453,733	\$ 15,008,199	\$ 17,949,021	\$ 21,327,925	\$ 25,203,119
11 Water and Sewer Taps	\$ 29,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
12 Water System Development Fees	597,016	662,487	860,434	712,574	712,574	712,574	712,574
13 Sewer System Development Fees	1,403,357	1,673,076	2,725,109	2,256,817	2,256,817	2,256,817	2,256,817
14 Miscellaneous	341,575	623,540	623,540	623,540	623,540	623,540	623,540
15 Revenue Sharing (NCCP)	(121,285)	(102,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
16 Total Operating Revenue	\$ 11,522,169	\$ 13,158,060	\$ 16,580,817	\$ 18,519,130	\$ 21,459,951	\$ 24,838,855	\$ 28,714,050
17 Non-Operating Revenue							
18 Interest Earnings	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670
19 Total Non-Operating Revenue	\$ 245,682	\$ 100,000	\$ 107,852	\$ 104,688	\$ 136,461	\$ 170,934	\$ 267,670
20 Total Revenue	\$ 11,767,851	\$ 13,258,060	\$ 16,688,669	\$ 18,623,818	\$ 21,596,412	\$ 25,009,789	\$ 28,981,720
<i>Change</i>		12.7%	25.9%	11.6%	16.0%	15.8%	15.9%

10. FUND BALANCES

As shown in Table 18, as of the beginning of FY 2024, the City had System Unrestricted Net Assets of approximately \$8.9 million. This amount consists of only the cash within the City's Operating Fund and does not include restricted cash held within the City's Capital Reserve Fund. Table 18 shows the beginning FY 2024 balance within the Capital Reserve Fund of \$5.54 million and the balances forecasted over the projection period. These funds are restricted for future capital projects and consist of funds generated from system development fees.

Table 18
Projected Ending Fund Balances

	<i>Fiscal Year Ending June 30</i>						
	2024	2025	2026	2027	2028	2029	2030
1 Beginning Unrestricted Fund Balance (Operating Fund)	\$ 8,902,055	\$ 8,431,018	\$ 5,392,609	\$ 5,234,391	\$ 6,823,028	\$ 8,546,687	\$ 13,383,522
2 System Cash Flow Surplus / (Shortfall)	954,442	(292,573)	1,768,936	4,031,893	6,412,990	9,374,391	13,099,371
3 Pay-Go Projects Paid from Operating Fund	(1,425,479)	(1,789,469)	(1,150,000)	(790,000)	(1,270,000)	(1,965,000)	(2,080,000)
4 Use of Funds for Water Capital Reserve Fund	-	-	-	-	-	-	-
5 Use of Funds for Sewer Capital Reserve Fund	-	(956,366)	(777,154)	(1,653,256)	(3,419,331)	(2,572,556)	(2,520,221)
6 Ending Unrestricted Fund Balance	\$ 8,431,018	\$ 5,392,609	\$ 5,234,391	\$ 6,823,028	\$ 8,546,687	\$ 13,383,522	\$ 21,882,672
7 Minimum Unrestricted Fund Balance	\$ 3,660,836	\$ 4,815,745	\$ 4,833,101	\$ 4,965,832	\$ 5,295,046	\$ 5,441,139	\$ 5,591,360
8 Days Cash on Hand - Unrestricted Balance - Operating Fund	420	204	198	251	295	449	714
9 Beginning Water Capital Reserve (SDF)	\$ 1,442,919	\$ 1,664,935	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835
10 System Development Fee Revenues	597,016	662,487	860,434	712,574	712,574	712,574	712,574
11 Cash (SDF Capital Projects)	(375,000)	(140,750)	(382,500)	(240,000)	(25,000)	-	(2,460,000)
12 Use of Capital Reserve (Debt Service)	-	(438,696)	(438,129)	(438,610)	(438,690)	(438,369)	(438,646)
13 Transfer from Unrestricted Cash for Capital	-	-	-	-	-	-	-
14 Ending Water Capital Reserve	\$ 1,664,935	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835	\$ 158,763
15 Beginning Sewer Capital Reserve (SDF)	\$ 4,096,816	\$ 5,472,314	\$ -	\$ -	\$ -	\$ -	\$ -
16 System Development Fee Revenues	\$ 1,403,357	\$ 1,673,076	\$ 2,725,109	\$ 2,256,817	\$ 2,256,817	\$ 2,256,817	\$ 2,256,817
17 Cash (SDF Capital Projects)	\$ (27,859)	\$ (7,086,135)	\$ (170,440)	\$ (578,250)	\$ (911,075)	\$ (59,800)	\$ (11,840)
18 Use of Capital Reserve (Debt Service)	-	(1,015,621)	(3,331,823)	(3,331,823)	(4,765,073)	(4,769,573)	(4,765,198)
19 Transfer from Unrestricted Cash for Capital	-	956,366	777,154	1,653,256	3,419,331	2,572,556	2,520,221
20 Ending Sewer Capital Reserve	\$ 5,472,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21 Combined Beginning Cash Balance - Capital Reserve (SDF)	\$ 5,539,735	\$ 7,137,249	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835
22 Combined Ending Cash Balance - Capital Reserve (SDF)	\$ 7,137,249	\$ 1,747,976	\$ 1,787,782	\$ 1,821,746	\$ 2,070,629	\$ 2,344,835	\$ 158,763
23 Days Cash on Hand - Restricted Balance	356	66	68	67	71	79	5
24 Total Ending Fund Balance	\$ 15,568,267	\$ 7,140,586	\$ 7,022,173	\$ 8,644,774	\$ 10,617,316	\$ 15,728,356	\$ 22,041,434
25 Days Cash on Hand - Total	776	271	265	318	366	528	719

Disclaimer

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT AND THE THIRD SUPPLEMENTAL TRUST AGREEMENT, INCLUDING DEFINITIONS OF CERTAIN TERMS

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APPENDIX C

Summary of Certain Provisions of the Master Trust Agreement and the Third Supplemental Trust Agreement, Including Definitions of Certain Terms

The following is a brief summary of some of the provisions of the Master Trust Agreement and the Third Supplemental Trust Agreement (called the “Third Supplemental” in this summary and, together with the Master Trust Agreement called the “Trust Agreements” in this summary). This summary is not intended to be complete or definitive, and it is qualified in its entirety by reference to the complete Trust Agreements. Copies of the Trust Agreements are available from the Trustee at its office in Charlotte, North Carolina.

A list of certain definitions used in the Trust Agreements is set out at the end of this Appendix. Other capitalized terms have the definitions assigned in the main text of this Official Statement.

Creation and Use of Project Fund

The Trustee will establish a special fund designated as the “Mebane 2024 Project Fund.” The Trustee will deposit into the Project Fund all amounts paid to it for deposit in the Project Fund, including the net proceeds of the sale of the 2024 Bonds.

The Trustee will keep this Fund separate and apart from all other funds and moneys held by it, and will hold and administer this Fund as provided in the Third Supplemental. The Trustee will disburse moneys in the Project Fund from time to time, either to pay Project Costs of the 2024 Project directly or to reimburse the City for previous expenditures on any of those costs, upon receipt by the Trustee of a requisition substantially in the form provided for in the Third Supplemental. The Trustee may rely conclusively on requisitions as authorization for payments, and the Trustee has no duty or responsibility to verify any matters in the requisitions. The Trustee shall not disburse any moneys from the Project Fund during the continuation of any Event of Default unless otherwise directed by the Majority Owners.

Establishment of Other Funds

The Trust Agreements create the following funds and accounts, to be held, maintained, and administered as provided in the Trust Agreements:

(a) Mebane System Revenue Fund;

(b) Mebane System Bond Fund, in which there are established six special accounts to be known as the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Parity Reserve Account; and

(c) Mebane System Net Proceeds Fund.

The Trustee shall hold the Bond Fund and its accounts and subaccounts, as well as the net Proceeds Fund. The City shall establish the Revenue Fund with a Depositary selected by the City.

The Third Supplemental provides for the creation of a “2024 Subaccount” in each of the Interest Account, the Principal Account, the Redemption Account and the Sinking Fund Account. There is no “2024 Subaccount” in the Capitalized Interest Account or the Parity Reserve Account, and the 2024 Bonds have no claim on the Parity Reserve Account or any Special Reserve Account.

Receipts Received by the City. Except as otherwise provided in the Trust Agreements, the City shall deposit all Receipts in the Revenue Fund when received. In addition, all proceeds of any Derivative Agreement shall be deposited in the Revenue Fund. The City may continue to maintain on its own books and records related to the System separate accounts related to revenues and expenses of the public water and public wastewater utility systems as well as System Development Fees, but all these accounts, however denominated and wherever held, remain and are part of the Revenue Fund.

Application of Money in Revenue Fund. (a) The City shall use and expend moneys in the Revenue Fund only in the manner and order specified in the Trust Agreements.

(b) The City shall pay the Current Expenses as the same become due and payable in conformity with the City’s applicable budgetary and payment procedures. The Current Expenses are a first charge and lien against the Revenue Fund.

(c) At such time or times as are specifically provided for in the Trust Agreements, any Parity Debt Resolution, or any Derivative Agreement, the City shall withdraw from the Revenue Fund the amount necessary to make the deposits required by the Trust Agreements.

(d) The City, in its discretion and except during the continuation of an Event of Default, may transfer in any month any balance remaining in the Revenue Fund at the end of the preceding month after making all deposits or payments required by the Trust Agreements, in whole or in part, to the General Fund or any other fund or account designated by the City, provided that (i) a City Representative shall first certify to the Trustee that, in that Representative's opinion, the transfer will not have a material adverse effect on the City's ability over the next twelve calendar months to pay the Current Expenses, to make all deposits required by the Trust Agreements, and to meet all other financial obligations imposed by the Trust Agreements or any Parity Resolution and (ii) the cumulative amount so transferred in any Fiscal Year shall not exceed the total amount budgeted to be transferred from the Revenue Fund in that Fiscal Year as shown in the Annual Budget for that Fiscal Year.

Any funds transferred from the Revenue Fund in accordance with subsection (d), other than transfers made to any account or subaccount of the Bond Fund, are no longer subject to the pledge, charge and lien upon the Net Receipts created by the Trust Agreements.

Use of Money for Debt Service; Reserve Funds. The City shall apply amounts withdrawn from the Revenue Fund in accordance with the Trust Agreements in the following manner and order:

(a) At such time or times as provided in any Parity Resolution or Derivative Agreement, the City shall (i) deliver to the Trustee the amounts required by the Parity Resolution for deposit in the appropriate subaccounts of the Interest Account, (ii) pay the Person entitled thereto the amounts required by the Parity Debt Resolution for the payment of interest on Parity Debt, and (iii) pay the Person entitled thereto the amount of any Derivative Agreement Scheduled Payments required by the Derivative Agreement to be paid by the City. If there are insufficient amounts in the Revenue Fund to satisfy all these deposits and payments, then the City shall make the payments ratably according to the amounts required to be deposited or paid.

(b) At such time or times as provided in the Parity Resolutions, the City shall deliver to the Trustee (i) the amounts required by any Supplemental Agreement for deposit in the appropriate subaccounts of the Principal Account and Sinking Fund Account and (ii) the amounts required by any Parity Debt Resolution for the payment of

principal on Parity Debt, whether at maturity or pursuant to an amortization requirement, for deposit with or payment to the appropriate Persons designated in such Parity Debt Resolutions. If there are insufficient amounts in the Revenue Fund to make all these deposits and payments, then the City shall make the payments ratably according to the amounts required to be deposited or paid.

(c) At such time or times as provided in the Parity Resolutions, if the amount in the Parity Reserve Account is less than the Parity Reserve Account Requirement or the amount in any Special Reserve Account is less than the applicable Special Reserve Account Requirement, the City shall deliver to the Trustee (i) the amounts required by the Trust Agreements to make up any deficiency in the Parity Reserve Account for deposit in the Parity Reserve Account and (ii) the amounts required by any Supplemental Agreement or Parity Debt Resolution to make up any deficiencies in any Special Reserve Account for deposit in such Special Reserve Accounts or payment to the appropriate parties designated in such Supplemental Agreements or Parity Debt Resolutions, provided that if there shall not be sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments shall be made to the Parity Reserve Account and each Special Reserve Account ratably according to the amount so required to be deposited or paid. If a deficiency exists in the Parity Reserve Account, it shall be made-up in accordance with the provisions of the Trust Agreements. If a deficiency exists in any Special Reserve Account, it shall be made-up under this subsection in accordance with the provisions of the Parity Resolution creating such Special Reserve Account.

(d) If any System G.O. Debt is outstanding, the City, in its sole discretion, may pay principal of and interest on System G.O. Debt as the same become due and payable.

(e) If any installment purchase, lease purchase, conditional sale or other similar types of indebtedness incurred to finance all or any part of the System is outstanding, the City, in its sole discretion, may pay principal of and interest on that indebtedness, or corresponding installment, lease or other similar type payments, as the same become due and payable.

Notwithstanding anything in the Trust Agreements to the contrary, failure by the City to make any deposits required by subsections (d) and (e) above shall not in and of itself be an Event of Default under the Trust Agreements.

Application of Money in Interest Account, Principal Account and Capitalized Interest Account.

(a) *Regular Bond payments.* Not later than 10:00 A.M. on each Payment Date, the Trustee shall withdraw from the applicable subaccounts in the Interest Account and the Principal Account and remit to the Owners, in Federal Reserve or other immediately available funds, the amounts required for paying principal and interest on the respective Bonds on that Payment Date, including Bonds maturing pursuant to sinking fund or other mandatory redemptions.

(b) *Use of reserves if funds insufficient.* Unless otherwise provided by a Supplemental Agreement, if the City fails to deposit with the Trustee the amounts required to be deposited in the Interest Account or the Principal Account as provided in the Trust Agreements, or if the balance in the Interest Account or the Principal Account on the Business Day next preceding a Payment Date is otherwise insufficient to pay principal and interest becoming due on the Bonds on that Payment Date, the Trustee shall notify the City of the amount of the deficiency and request the City to immediately cure the deficiency. Upon the City's failure to cure the deficiency and in any event not later than the Payment Date, the Trustee shall transfer an amount sufficient to cure the deficiency, drawing upon funds in the Parity Reserve Account, if any, securing that Series of Bonds, or in the Special Reserve Account, if any, securing that Series of Bonds.

(c) *Use of excess amount in principal accounts.* If on any date there is money in the Principal Account and no Serial Bonds are then Outstanding, or if on any principal Payment Date money remains in that account after the payment of the principal of Serial Bonds then due, the Trustee shall withdraw the excess money from the Principal Account and apply that money in the following order: (i) deposit into the Sinking Fund Account the amount then required to be paid thereto by the City pursuant to the Trust Agreements, (ii) deposit, if and to the extent determined by the City, into the Parity Reserve Account or in one or more Special Reserve Accounts any amounts specified in a City Certificate to make the amounts on deposit therein equal to the Parity Reserve Account Requirement or the Special Reserve Account Requirement, as the case may be, and (iii) pay all remaining amounts to the City, for the City to use for any lawful purpose free of the lien of the Trust Agreement.

(d) *Use of capitalized interest.* Unless otherwise provided by a Supplemental Agreement, on the date of issuance of any Additional Bonds, a City Representative shall deliver to the Trustee a schedule of transfers to be made from the applicable subaccount of the Capitalized Interest Account to the applicable subaccount of the Interest Account.

The Trustee shall make the transfers as required by the schedule, to the extent that funds are available in the Capitalized Interest Account.

Application of Money in the Redemption Account. Money held for the credit of the subaccounts in the Redemption Account shall be applied to the purchase or redemption of Bonds in the manner provided in the applicable Supplemental Agreement.

Application of Money in the Net Proceeds Fund. The Trustee shall deposit Net Proceeds into the Net Proceeds Fund when and as received by the Trustee from the City, and those proceeds will be disbursed as provided in the Trust Agreements.

Restriction on Incurring Additional Obligations

The City will not (a) issue any Bonds, (b) otherwise borrow money from any source, or (c) enter into any contract or agreement that is treated for accounting purposes as substantially equivalent to the borrowing of money, in all cases in connection with the acquisition or construction of improvements, extensions, additions and replacements to, or for any other purpose in connection with, the System, except in accordance and with the provisions of the Trust Agreements.

The City may issue System G.O. Debt without regard to any provisions of the Trust Agreements.

Tests for Additional Parity Indebtedness. Subject to the conditions hereinafter provided, the City shall have the right to incur Parity Indebtedness for any purpose for which Bonds may be issued under the Trust Agreements in accordance with the limitations of the Trust Agreements.

(a) Long-Term Indebtedness constituting Parity Indebtedness may be incurred if prior to incurrence the conditions set forth in either (i), (ii) or (iii) are met.

(i) *Coverage by historical revenues adjusted for rate changes.* The City may incur Long-Term Indebtedness constituting Parity Indebtedness may be incurred if prior to incurrence there is delivered to the Trustee an Officer's Income Available for Debt Service

(A) is not less than 120% of the Maximum Long-Term Debt Service Requirement with respect to Parity Indebtedness that would result from all Outstanding Long-Term Indebtedness constituting Parity Indebtedness (excluding any Long-Term Indebtedness to be refunded by the Long-Term Indebtedness to be

incurred) and the Long-Term Indebtedness proposed to be incurred; and, separately

(B) is also not less than 100% of the maximum debt service in any future Fiscal Year when combining for that Fiscal Year (1) the Long-Term Debt Service Requirement with respect to all Outstanding Parity Indebtedness (excluding any Long-Term Indebtedness constituting Parity Indebtedness to be refunded by the Long-Term Indebtedness to be incurred) and the Long-Term Indebtedness proposed to be incurred, (2) the debt service on all Outstanding Subordinate Indebtedness (excluding any Long-Term Indebtedness constituting Subordinate Indebtedness to be refunded by the Long-Term Indebtedness to be incurred), and (3) the debt service on System G.O. Debt.

If the City has revised any Rates since the end of the Last Audited Year, and the revised Rates are or will be in effect prior to or concurrently with the incurrence of the proposed Long-Term Indebtedness, then the City Representative may add to the Income Available for Debt Service used in making the above calculations an estimate of any additional Income Available for Debt Service that would have been derived from the adjusted Rates if the adjusted Rates had been in effect at the beginning of that Last Audited Year.

In addition, If an existing Enterprise that is not a part of the System is to be made a part of the System prior to or concurrently with the incurrence of such Long-Term Indebtedness, the City Representative may add to the Income Available for Debt Service used in making the above calculations an estimate of the additional Income Available for Debt Service that would have been derived from the added Enterprise if the Enterprise had been part of the System at the beginning of the Last Audited Year.

The City Representative must specify in its certificate any additions to Income Available for Debt Service made in accordance with this subsection and must include a brief and general summary of the basis for the additions. The Trustee may rely on those certifications without further investigation.

(ii) *Issuance based on projected future coverage.* The City may incur Long-Term Indebtedness constituting Parity Indebtedness if prior to incurrence there is delivered to the Trustee all the following:

(A) a City Certificate to the effect that that the City complied in its most recently completed Fiscal Year with the Rate Covenant set forth in the Trust Agreements (and as described below in the section of these summaries “**Security for the Bonds,**

Other Parity Indebtedness and Derivative Agreement Obligations – Rate Covenant”). The City Representative making the certification may adjust the amount of Income Available for Debt Service used in determining compliance with the Rate Covenant for purposes of this subsection by making adjustments as described above with respect to rate changes.

(B) a City Certificate to the effect that for each of the first two Fiscal Years next succeeding the date on which the Long-Term Indebtedness is incurred (or next succeeding the date on which capitalized interest provided from the proceeds of the Long-Term Indebtedness is expended, if later), the forecasted Income Available for Debt Service will be at least

(X) not less than 120% of the Long-Term Debt Service Requirement with respect to all Outstanding Long-Term Indebtedness constituting Parity Indebtedness (excluding any Long-Term Indebtedness constituting Parity Indebtedness to be refunded by the Long-Term Indebtedness constituting Parity Indebtedness to be incurred) and the Long-Term Indebtedness proposed to be incurred; and separately

(Y) also not less than 100% of the maximum debt service in any future Fiscal Year when combining for that Fiscal Year (A) the Long-Term Debt Service Requirement with respect to all Outstanding Parity Indebtedness (excluding any Long-Term Indebtedness constituting Parity Indebtedness to be refunded by the Long-Term Indebtedness to be incurred) and the Long-Term Indebtedness proposed to be incurred, (B) the debt service on all Outstanding Subordinate Indebtedness (excluding any Long-Term Indebtedness constituting Subordinate Indebtedness to be refunded by the Long-Term Indebtedness to be incurred), and (C) the debt service on System G.O. Debt.

(iii) *Issuance of small amounts of debt.* The City may incur Long-Term Indebtedness constituting Parity Indebtedness in any Fiscal Year up to an amount equal to 5% of the total Receipts as shown on the Most Recent Audit, less any Short-term Debt previously issued in that Fiscal Year under the authorization of this subsection, if prior to incurrence the City delivers to the Trustee a City Certificate to the effect that (A) the City complied with the Rate Covenant in its most recently completed Fiscal Year and (B) the incurrence of the Debt will not have a material adverse effect on the City’s ability over the succeeding twelve calendar months to pay the Current Expenses, to make all deposits required by the Trust Agreements, and to meet all other financial obligations imposed by the Trust Agreements or any Parity Resolution.

(b) Completion debt. The City may incur Completion Indebtedness constituting Parity Indebtedness without limitation so long as that prior to the incurrence, the City provides to the Trustee (i) a Consultant's Report estimating the costs of completing the facilities for which the Completion Indebtedness is to be incurred and (ii) a City Certificate to the effect that the amount of the Completion Indebtedness, together with any other specified available funds, will be sufficient to complete construction of the facilities as described and estimated in the Consultant's Report.

(c) Refunding debt. The City may incur Long-Term Indebtedness constituting Parity Indebtedness to refund all or any part of any Outstanding Long-Term Indebtedness so as to render it no longer Outstanding, without regard to the requirements of subsection (a), so long as that prior to the incurrence, the City delivers a City Certificate to the Trustee (i) determining that the proceeds of that Long-Term Indebtedness, together with interest earnings on any Federal Securities to be acquired and other available funds, will be sufficient to pay the principal of and interest and any premium on the Long-Term Indebtedness to be refunded to the redemption or maturity date or dates and the expenses incident to the refunding, and (ii) stating that the Long-Term Debt Service Requirement for any Fiscal Year thereafter on account of all Long-Term Indebtedness constituting Parity Indebtedness to be Outstanding after the incurrence of the refunding Long-Term Indebtedness and after the refunding of such Long-Term Indebtedness will not be more than 10% greater than the Long-Term Debt Service Requirement on account of all Long-Term Indebtedness constituting Parity Indebtedness Outstanding immediately prior to the incurrence of the refunding Long-Term Indebtedness, including the Long-Term Indebtedness to be refunded.

(d) Short-term debt. The City may incur Short-Term Indebtedness constituting Parity Indebtedness in any Fiscal Year if, immediately after the incurrence of the Short-Term Indebtedness, the Outstanding principal amount of all Short-Term Indebtedness constituting Parity Indebtedness does not exceed 25% of the System Fund Balance as shown on the Most Recent Audit and further provided that during the Last Audited Year, there was a period of at least twenty consecutive calendar days during which no such Short-Term Indebtedness was Outstanding (as may be demonstrated by a City Certificate).

(e) Put debt The City may incur Put Indebtedness constituting Parity Indebtedness if prior to the incurrence of the Put Indebtedness (i) the conditions described in subsections (a), (b), (c) or (d) of this Section are met and (ii) a Credit Facility exists to provide financing sufficient to pay the purchase price or principal of the

Put Indebtedness on any date on which the Owner or Holder of the Put Indebtedness may demand payment thereof pursuant to the terms of the Put Indebtedness.

Whenever subsections (a) or (d) above require a certification for the most recent Fiscal Year preceding the date of incurrence of the Parity Indebtedness in question for which audited financial statements are available, the City may, in its discretion, provide a certificate, opinion or report of an independent accountant, in lieu of the audit for such Fiscal Year, on financial statements covering twelve consecutive calendar months of the eighteen full consecutive calendar months preceding the date of incurrence of the Parity Indebtedness in question.

Limitation on Subordinate Indebtedness. The City may incur Subordinate Indebtedness from time to time for any purpose for which Bonds may be issued under the Trust Agreements. The Trust Agreements contain a series of limitations on the City's issuing Subordinate indebtedness that are similar to the limitations on incurring Parity Indebtedness.

Bond Anticipation Notes. The City may issue Bond anticipation notes from time to time for any purpose for which Bonds may be issued under the Trust Agreements. Bond anticipation notes may be issued as Parity Indebtedness or Subordinate Indebtedness and will be issued in compliance with the provisions and restrictions set out in the Trust Agreements.

Grant Anticipation Notes. The City may issue Grant anticipation notes from time to time for any purpose for which Bonds may be issued under the Trust Agreements in anticipation of the receipt of moneys from firm grant commitments for such purpose from the State or the United States or any agencies of either. Grant anticipation notes constitute Subordinate Indebtedness and will be issued in compliance with the provisions and restrictions set out in the Trust Agreements.

State Revolving Loan Program and State Bond Loan Program. The City may contract State Program Loans for purposes related to the System in its discretion. State Program Loans constitute Subordinate Indebtedness, but the City may contract State Program Loans without showing compliance with any provisions of the Trust Agreements regarding incurring additional debt.

Installment Debt. The City may incur Installment Debt without regard to the requirements in the Trust Agreements for Parity or Subordinate Indebtedness so long as (a) the debt is secured by a lien on (a) specified rolling stock comprising a part of the System without limitation or (b) other specified property, plant and equipment

comprising a part of the System, so long as the principal component of Installment Debt outstanding at any one time pursuant to this subsection (b) does not exceed 10% of the System's net property, plant and equipment as shown on the Most Recent Audit. Debt is not installment debt for the purposes of this Section if it is secured by any explicit lien on Revenues or Receipts.

Financing of Special Purpose Facilities. The City may finance the acquisition or construction of any Special Purpose Facilities as permitted by law upon the conditions provided for in the Trust Agreements. These conditions do not include compliance with any of the requirements for issuing Additional Bonds or any similar requirements, but do require the City to obtain a statement signed by an Appropriate Consultant, to the effect that in its opinion the acquisition or construction of such Special Purpose Facilities will not materially adversely affect the Income Available for Debt Service or impair the operating efficiency of the System

If the City finances Special Purpose Facilities, the City shall put in place necessary measures in order to account for, and keep separate and apart from Receipts and Current Expenses, the gross revenues received from the operation of such Special Purpose Facilities as well as the operating and maintenance expenses of such Special Purpose Facilities, any debt service or reserve requirements with respect thereto and any other necessary related costs and expenses.

General Covenants and Representations

Rate Covenant. (a) (a) The City will fix, charge and collect Rates and, from time to time and as often as it appears necessary or appropriate, will revise its Rates, to meet the following requirements:

(i) *120% on first-lien debt* -- For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the sum of (A) the Income Available for Debt Service for that Fiscal Year and (B) 15% of the System Fund Balance, as shown on the Most Recent Audit, will be not less than 120% of the Long-Term Debt Service Requirement for Parity Indebtedness for that Fiscal Year.

(ii) *100% on all debt together* -- For the Fiscal Year ending June 30, 2024, and for each Fiscal Year thereafter, the Income Available for Debt Service for that Fiscal Year will be not less than the sum of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinate Indebtedness and the debt service on all Installment Debt and System G.O. Debt for that Fiscal Year.

(iii) *Generate sufficient Receipts* – The Receipts will be sufficient in each Fiscal Year (A) to pay Current Expenses, (B) to make the cash deposits required by Sections 2.04(a), (b) and (c), (C) to make the cash deposits required by Subordinate Indebtedness Resolutions with respect to the payment of interest on or principal of Subordinate Indebtedness, and (D) to make the cash payments required on all Installment Debt and System G.O. Debt.

If the City fails to comply with the covenants set forth above, it shall, within thirty days of the receipt by the City of the audit report required by the Trust Agreements, request an Appropriate Consultant to make recommendations as to a revision of the Rates or the City's method of System operation designed to satisfy the Rate Covenant. The City need not comply with the Appropriate Consultant's recommendations, but the City must make changes that the City projects will result in compliance with the covenants. The City shall promptly advise the Trustee and the LGC of the actions the City has taken to address the failure to meet the Rate Covenant.

The City's failure to comply with the Rate Covenant will not be an Event of Default under the Trust Agreements (notwithstanding the other provisions of the Trust Agreements) unless (a) the City fails to meet the requirements for two consecutive Fiscal Years, and (b) the City fails to substantially comply with all the Appropriate Consultant's recommendations after the second consecutive (and any subsequent consecutive) Fiscal Year.

Payment of Principal, Interest and Premium; Security; Limited Obligation.
The City shall pay or cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for mandatory redemption or otherwise) and the premium, if any, and interest on the Bonds and Parity Debt at the places, on the dates, and in the manner provided in the Trust Agreements, in the Bonds and the Parity Debt, and in the documentation securing the Bonds and Parity Debt, all according to their true intent and meaning.

To secure payment of the Bonds and all other amounts payable by the City under this Master Agreement, and under any Supplemental Agreements and other agreements and resolutions provided for under this Master Agreement, the City grants to the Trustee a lien on the Net Revenues and on moneys and investments held from time to time under the funds, accounts and subaccounts created and authorized under this Master Agreement, except as expressly provided in this Master Agreement or any Supplemental Agreement or any other agreement or resolutions provided for under this Master Agreement.

The Bonds are special obligations of the City payable solely from the Net Receipts and the money, Investment Obligations and Reserve Alternative Instruments held in the applicable funds, accounts and subaccounts created under the Trust Agreement and the respective Supplemental Agreement for each Series of Bonds, and the income from Investment Obligations in those funds, accounts and subaccounts. The Bonds shall not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property or upon any of its income, receipts or revenues, except as provided in the Trust Agreements or in any Supplemental Agreement. Neither the City's faith and credit nor its taxing power is pledged for the payment of the principal of, any redemption premium or interest on the Bonds, and no Owner has the right to compel the exercise of the City's taxing power or the forfeiture of any City property in connection with any default on Bonds, except as provided in the Trust Agreements.

System Operation. The City shall establish and enforce reasonable rules and regulations governing the operation and use of the System, operate the System in an efficient and economical manner, maintain the properties constituting the System in good repair and in sound operating condition for so long as the same are necessary for the operation of the System, and comply with all valid acts, rules, regulations, orders and directions of any legal or regulatory authority that apply to the System.

Insurance. The City covenants that it will obtain and maintain an appropriate insurance program, with reasonable terms, conditions, provisions and costs, that the City determines (i) will afford adequate protection against loss caused by damage to or destruction of the System or any part thereof and (ii) will include reasonable liability insurance on all of the System for bodily injury and property damage resulting from the construction or operation of the System. The City may fulfill its insurance requirements through blanket or umbrella policies, by means of an adequate self-insurance fund or risk-retention program, or by participation in a group risk pool or similar program, all under the conditions provided in the Trust Agreements.

Payment of Charges; Covenant against Encumbrances. Except as otherwise provided in the Trust Agreements, the City shall not create or suffer to be created any lien or charge upon the System or any part thereof, or on the Net Receipts, except for Permitted Encumbrances. The City shall discharge or cause any such lien or charge to be discharged, or shall make adequate provision to satisfy and discharge, within 60 days after the same become due and payable, subject to provisions and limitations set out in the Trust Agreement.

Covenant against Sale or Disposition; Exceptions. The City covenants that, except as permitted in the Trust Agreements, it will not sell, exchange or otherwise dispose of the System or any part thereof.

The City may from time to time sell, exchange or otherwise dispose of any equipment, motor vehicles, machinery, fixtures, apparatus, tools, instruments or other movable property if it determines that such articles are no longer needed or are no longer useful in connection with the System, and the proceeds thereof may be used for any lawful purpose determined by the City.

The City may from time to time sell, exchange or otherwise dispose of (but not lease, contract or agree for the use thereof except as permitted under the Trust Agreements) any other property of the System, including one or more entire Enterprises added to the System pursuant to the Trust Agreements and comprising a part of the System, if, in addition to (i) obtaining an Opinion of Bond Counsel to the effect that such sale, exchange or disposition of property of the System shall not adversely affect the tax status of interest on Bonds and (ii) otherwise complying with the provisions of the Trust Agreements, it delivers to the Trustee a City Certificate to the effect

(a) that the sale, exchange or other disposition thereof would not materially adversely affect the operating efficiency of the System and would not materially reduce Net Receipts; or

(b) that the sale, exchange or other disposition thereof would not materially adversely affect the ability of the City to comply with the Rate Covenant.

The Trust Agreements contain other procedural requirements for the disposition of property and contain restrictions on the disposition of proceeds.

Additional Projects; Additions to the System. All buildings, structures and items of personal property that are constructed, placed or installed in or upon the properties constituting the System as an addition or improvement to, as a substitute for, or in renewal, replacement or alteration of, any buildings, structures, and personal property constituting part of the System, and all real property acquired as an addition to, in replacement of, or as a substitute for real property constituting a part of the System shall thereupon become part of the System.

Contracts, Leases and Other Agreements. The City may lease, as lessor, all or any part of the System, or contract or agree for the performance by others, of operations or services on or in connection with the System or any part thereof, for any lawful purpose, provided, that:

(a) the City shall remain fully obligated and responsible under this Trust Agreement to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed, and

(b) the obligation of the City under such lease, contract or agreement shall not impair the performance of the City's obligations under this Trust Agreement.

System; Addition of Enterprise to System. (a) The existing water system and the existing wastewater system of the City are combined, under the Trust Agreements, into one integral System for purposes of the Act.

(b) The City may add Additional Enterprises to the System from time to time at the City's discretion by resolution of the City Council upon terms and conditions set forth in the Trust Agreements, including conditions related to compliance with the Rate Covenant and related to debt ratios and bond ratings.

Removal of Enterprise from System. The City may remove an Enterprise from the System, other than the City's water system and wastewater system initially comprising the System, upon terms and conditions set forth in the Trust Agreements, including conditions related to compliance with the revenue covenant and related to debt ratios and bond ratings.

Tax Covenants

The City covenants under the authorizing series resolution that it will not take or permit, or omit to take or cause to be taken, any action that would cause the 2024 Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code. The City also covenants that if it should take or permit, or omit to take or cause to be taken, any such action, then the City will take or cause to be taken all lawful actions within its power reasonably necessary to rescind or correct such actions or omissions promptly upon having knowledge of the effect of such actions.

Events of Default; Remedies

An "Event of Default" is any of the following:

(a) Default in the payment of the principal of any Bond when the same becomes due and payable, whether at the stated maturity thereof or upon proceedings for mandatory (but not optional) redemption.

(b) Default in the payment of any interest on any Bond when the same becomes due and payable.

(c) The City breaches or fails to perform or observe any term, condition or covenant of the Trust Agreements or in the Bonds on its part to be observed or performed, other than as referred to in the preceding subsections, for a period of 90 days

after written notice specifying such failure and requesting that it be remedied has been given to the City; provided, however, that if the failure stated in the notice cannot reasonably be corrected within the applicable period and the City institutes corrective action within the applicable 90-day notice period, no Event of Default will be deemed to have occurred so long as the City diligently pursues the remedial action.

(d) Any warranty, representation or statement made by the City in the Trust Agreements is found to be incorrect or misleading in any material respect as of the date of its first execution and delivery among the parties.

(e) Any warranty, representation or statement made by the City in a Supplemental Agreement or in any related Bonds is found to be incorrect or misleading in any material respect as of date of the original delivery of those Bonds to their original purchaser.

Acceleration. If any Event of Default is continuing, then the Trustee, alone or at the direction of the Majority Owners, and by notice to the City, may declare the principal of and accrued interest with respect to the Bonds to be due and payable immediately, and that principal and interest will thereupon become and be immediately due and payable. The Trustee must immediately give notice of any acceleration to the Owners. The Trustee may rescind an acceleration and its consequences if all existing Events of Default have been cured or waived, if the rescission would not conflict with any judgment or decree.

Trustee Control of Receipts. In addition to any other remedies available to the Trustee under the Trust Agreements, and under State and federal law, during the continuation of an Event of Default the Trustee may, and, upon the written request of the Majority Owners, shall:

(a) require the City (i) to endorse, to the order of the Trustee, all checks and other negotiable instruments representing Receipts immediately upon their receipt, and (ii) to deliver the endorsed instruments to the Trustee daily;

(b) notify any or all account debtors of the City to pay any amounts representing Receipts, when due and owing, directly to the Trustee, in its capacity as the Trustee, in such manner as the Trustee may direct; and

(c) require the City to deliver to the Trustee all money and Investment Obligations held by the City in the Revenue Fund.

The City's endorsement and delivery requirements, and the requirements for payment of Receipts directly to the Trustee, as described above continue until any Event of Default has been cured to the Trustee's satisfaction.

The Trustee's disposition of Receipts is subject to the provisions of the Trust Agreements to the same extent as if the City had deposited those Receipts in the Revenue Fund. Notwithstanding anything contained in the Trust Agreements to the contrary, the Trustee's disposition of Receipts held for the payment of Current Expenses is in the Trustee's discretion. The provisions of this Section are also subject to the provisions of the Trust Agreements concerning the Trustee's duties and responsibilities generally. See the section below in these summaries "**The Trustee.**"

Other Remedies. If an Event of Default is continuing, the Trustee may pursue any other remedy at law or in equity to collect the principal or interest with respect to the Bonds or to enforce the performance of any provision of the Trust Agreements or the Bonds.

A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default does not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Waiver of Past Defaults. The Majority Owners, by notice to the Trustee, may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no waiver extends to any subsequent or other Event of Default or impairs any right consequent to it.

Majority's Control. The Majority Owners may, upon satisfactory indemnification of the Trustee, direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Trustee, however, may refuse to follow any direction that it reasonably believes conflicts with law or the Trust Agreements or that the Trustee determines is unduly prejudicial to the rights of other Owners or would involve the Trustee in personal liability.

Limitation on Suits. An Owner may not pursue any remedy with respect to the Trust Agreements or the Bonds (except for the payment of principal and interest on the Bonds as provided in the Trust Agreements) unless (a) the Owner gives the Trustee notice stating that an Event of Default is continuing, (b) the Majority Owners make a written request to the Trustee to pursue the remedy, (c) that Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, and

(d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity.

An Owner may not use the Trust Agreements to prejudice the rights of another Owner or to obtain a preference or priority over the other Owners.

Rights To Receive Payment. The right of any Owner to receive payment of principal and interest with respect to a Bond, on or after the due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, is preserved under the Trust Agreements and may not be impaired or affected without such Owner's consent.

Collection Suit by Trustee. If an Event of Default is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the City for the whole amount remaining unpaid.

Priorities. If the Trustee collects any money pursuant to exercising its remedies under the Trust Agreements, it must deposit that money in a special account in the Payment Fund and pay out that money in the following order:

(a) If the principal of all Bonds has not become or will not be declared due and payable, all the moneys in the Payment Fund will be applied as follows:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and of the Owners in declaring the Event of Default and pursuing remedies under the Trust Agreements, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments, beginning with the earliest unpaid installment. If the amount available is not sufficient to pay in full any installment or installments coming due on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal on any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at a rate equal to the rate paid on the Bonds, and, if the amount available is not sufficient to pay in full all of the amounts due on the Bonds on any date, together with the required interest, then to the payment

thereof ratably, according to the amounts of principal due on that date to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Bonds has become or has been declared due and payable, all the money will be applied (i) first to pay the Trustee's fees and expenses, and then (ii) to the payment of principal and interest then due on the Bonds, without preference or priority of principal or interest, 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.

(c) If the principal with respect to all Bonds has been declared due and payable and if the declaration thereafter is rescinded and annulled under the provisions of the Trust Agreements, then, subject to the provisions of subsection (b) above, if the principal with respect to all Bonds later becomes due and payable or is declared due and payable, the money then remaining in and thereafter accruing to the Payment Fund will be applied in accordance with the provisions of subsection (a) above.

The Trustee

Rights and Duties. If an Event of Default is continuing, the Trustee must exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of that person's own affairs.

Except during the continuation of an Event of Default:

(a) the Trustee need perform only those duties that are specifically set forth in the Trust Agreements and no others, and no implied covenants or obligations may be read into the Trust Agreements against the Trustee; and

(b) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates, opinions or other writings furnished to the Trustee and conforming to the requirements of the Trust Agreements which the Trustee actually and in good faith believes to be genuine and to have been signed or presented by the proper person. The Trustee, however, must examine the certificates and opinions to determine whether it conforms to the requirements of the Trust Agreements.

The Trustee may not be relieved from liability for its own negligent action, its own grossly negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the Trustee's obligation to act prudently during the continuation of an Event of Default;

(ii) the Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction from the Majority Owners received by it pursuant to the Trust Agreements;

(iii) no provision of the Trust Agreements requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreements or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against the risk or liability is not reasonably assured to it.

Eligibility. The City will maintain a Trustee for the Trust Agreements that is a corporation organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized under such laws and the laws of the State to exercise corporate trust powers, is subject to supervision or examination by the United States, any state or the District of Columbia and has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition. No corporation may be appointed or serve as Trustee unless (a) it is approved by the LGC for service as Trustee under the Trust Agreements.

Resignation; Removal; Replacement. The Trustee may resign at any time by delivering notice of its resignation to the City at least 30 days prior to the effective date of the resignation. The City may remove the Trustee at any time by delivering notice of the removal to the removed Trustee at least 30 days prior to the effective date of the removal, but the City may remove the Trustee only so long as no Event of Default is continuing at the time the City sends the notice. The Majority Owners may remove the Trustee at any time by delivering notice of the removal to the City and the removed Trustee at least 30 days prior to the effective date of the removal, and may at the same time (or at any time during the 30-day notice period) appoint a new Trustee by notice to the City and the removed Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the City must promptly appoint a successor Trustee (except when that right is exercised by the Majority Owners as described in the preceding paragraph). If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or

is removed, the retiring Trustee, the City or the Majority Owners may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Discharge of the Trust Agreements

Any Bond will be deemed paid for all purposes of the Trust Agreements when (a) payment of the principal, premium, if any, and interest on that Bond to the due date of such amounts (whether at maturity, upon redemption or otherwise) either (i) has been made in accordance with the terms of the Bonds or (ii) has been provided for by irrevocably depositing with the Trustee or other fiduciary in escrow (A) cash sufficient to make the payments or (B) Federal Securities maturing as to principal and interest in such amounts and at such times as will ensure, without reinvestment, the availability of sufficient moneys to make those payments and which are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder, and (b) all the Trustee's compensation and expenses have been paid or provided for to the Trustee's satisfaction.

The sufficiency of the deposit referenced above must be evidenced or verified by a certificate or other writing, in form and substance satisfactory to the Trustee, of a person or entity experienced in making these calculations as the City may select.

When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Trust Agreements, and all rights to payment of that Bond will be limited to payment from moneys or Federal Securities under (a)(ii) above, and except that it may be transferred, exchanged, registered or replaced as provided in the Trust Agreements.

Notwithstanding the foregoing, the City may make no deposit under clause (a)(ii) above until the City has furnished the Trustee an Opinion of Bond Counsel to the effect that the deposit of cash or Federal Securities will not cause the Bonds to become "arbitrage bonds" within the meaning of the Code, if the interest on those Bonds is intended to be not included in gross income for federal income tax purposes.

Amendments of and Supplements to Trust Agreements

Without Owners' Consent. The City and the Trustee may amend or supplement the Trust Agreements without notice to or consent of any Owner for any of the following purposes, or for any combination of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission

(b) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority

(c) to subject to the Trust Agreements additional collateral or to add other agreements of the City

(d) to permit the qualification of the Trust Agreements under any federal or state statute, whenever enacted, and, in that connection, to add to the Trust Agreements or any other supplemental trust agreement any other terms, conditions and provisions as may be permitted or required by the federal or state statute

(e) to provide for the issuance of Additional Bonds as otherwise permitted by the Trust Agreements

(f) to provide for Bonds to be issued or exchanged for Bonds in any other form or format at that time permitted by law

(g) to evidence the succession of a new Trustee, or to provide for the appointment and operation of a Bond Registrar separate from the Trustee

(h) to make any other change that does not materially adversely affect the rights of any Owner

The Trustee may conclusively rely on a City Certificate to the effect that a proffered amendment or supplement is within the scope of the purposes listed above.

At least thirty days prior to the execution and delivery of any supplemental trust agreement for any of the purposes described in this Section, the Trustee shall provide for a notice of the proposed agreement to be mailed first-class, postage prepaid, to the LGC and to all Owners of Bonds. The notice must briefly set forth the nature of the proposed agreement and state that copies of the proposed agreement are available to all Owners of Bonds upon request to the City or the Trustee at addresses set forth in the notice. This notice, however, is not required in the case of an amendment or supplemental agreement for the purposes described in (e) above.

With Owners' Consent. If the Trust Agreements do not permit an amendment of or supplement to the Trust Agreements without any consent of Owners, the City and the Trustee may enter into that amendment or supplement only with the consent of the Majority Owners.

Without the consent of each Owner affected, however, no amendment or supplement to the Trust Agreements may (i) extend the maturity of the principal or interest on any Bond, (ii) reduce the principal amount of, or rate of interest on, any Bond, (iii) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) reduce the percentage of the principal amount of the Bonds required for consent to any amendment or supplement, (v) intentionally impair any exclusion of interest on the Bonds from the federal gross income of the Owner of any Bond to which that interest was intended to be entitled, (vi) eliminate any redemption terms of those Bonds, (vii) create a lien ranking prior to or on a parity with the lien of the Trust Agreements on the property pledged under the Trust Agreements (except with respect to a parity pledge for the benefit of the Owners of Additional Bonds), or (viii) deprive any Owner of the lien created by the Trust Agreements on any property.

In addition, if moneys or Federal Securities have been deposited or set aside with the Trustee pursuant to the Trust Agreements for the payment of Bonds and those Bonds have not in fact actually been paid in full, the parties may make no amendment to those provisions of the Trust Agreements without the consent of the Owner of each Bond affected.

The Trust Agreements contain provisions for obtaining consent from Owners and providing notice of amendments or supplements to Bondholders.

LGC's Consent Required. No amendment or supplement to the Trust Agreements or the Bonds will become effective unless the LGC delivers to the City and the Trustee its prior written consent to the amendment or supplement.

Investments

The Trustee must invest and reinvest moneys held by it under the Trust Agreements upon the City's written direction in Investment Obligations that are Legal Investments. If the City does not provide the Trustee with written direction as to any investment or reinvestment provided for under the Trust Agreements, the Trustee will invest or reinvest such moneys in the North Carolina Capital Management Trust (or its successor).

The Trustee may purchase or sell, to itself or to any affiliate, as principal or agent, any investments of funds held under the Trust Agreements. The Trustee may act as purchaser or agent in the making or disposing of any investment, and may make any investment through its bond or investment department or those of its affiliates, and may charge its ordinary and customary fees for such trades.

The Trustee is not responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Trust Agreements. The Trustee may rely on the City's investment directions as to both the suitability and legality of any investment made at the City's direction.

To determine the amount on deposit in any Fund or Account held under the Trust Agreements, the Trustee must value any investment credited to a Fund or Account at its market value.

Definitions

"2024 Bonds" means the City of Mebane's Combined Utilities Revenue Bonds, Series 2024, offered pursuant to this Official Statement.

"2024 Project" means the System improvements for which the 2024 Bonds are being issued, including (a) improvement and expansion of the City's water resource recovery facility and (b) any additional System improvements the City may designate to the Trustee in a City Certificate. See **"THE SERIES 2024 PROJECT"** in this Official Statement.

"Accreted Amount" means with respect to Capital Appreciation Bonds of any Series, the amount set forth in the related Supplemental Agreement as the amount representing the initial public offering price, plus the accumulated and compounded interest on those Capital Appreciation Bonds.

"Act" means The State and Local Government Revenue Bond Act, that being Article 5 of Chapter 159 of the General Statutes.

"Additional Bonds" means any Bonds delivered by the City pursuant to the provisions of the Trust Agreements that allow for the issuance of additional obligations secured by a lien on Net Receipts.

"Additional Derivative Agreement Payments" means payments required to be paid by the City under a Derivative Agreement other than Derivative Agreement Scheduled Payments, including termination payments required to be paid in connection with the termination of a Derivative Agreement, whether voluntarily or upon the occurrence of an event of default, termination event or similar event thereunder.

"Additional Project" means any addition, acquisition, improvement, betterment or extension of or relating to the System. The term "Additional Project" does not include

any Special Purpose Facilities unless the indebtedness incurred to finance the Special Purpose Facilities has been retired or provision has been made for its payment, and the City has determined to include those Special Purpose Facilities as an Additional Project.

“Annual Budget” means the City’s budget for a Fiscal Year adopted pursuant to the provisions of the Local Government Budget and Fiscal Control Act, that being Article 3 of Chapter 159 of the General Statutes.

“Appropriate Consultant” means one or more persons having a favorable reputation for skill and experience in an appropriate area of expertise, as the City may select from time to time to perform and to carry out the duties imposed on an Appropriate Consultant by the Trust Agreements. A selected consultant may be a City employee or contractor.

“Balloon Long-Term Indebtedness” means fixed or variable rate Long-Term Indebtedness 25% or more of the principal payments of which are due in a single twelve-month period if that portion of the principal is not required by the documents pursuant to which that Indebtedness is incurred to be amortized by redemption or prepayment prior to the expiration of the period.

“Bonds” means, together, the Prior Bonds, the 2024 Bonds and all Additional Bonds.

"Bond Counsel" means such attorney or firm of attorneys nationally recognized on the subject of municipal obligations as may be selected by the City.

“Bond Fund” means the fund created and designated the Mebane System Bond Fund by the Trust Agreements.

“Bond Insurance Policy” means a municipal bond insurance policy or similar arrangement permitted by the Act and obtained or established in connection with the incurrence of any Parity Indebtedness or Subordinate Indebtedness.

“Bond Registrar” means, with respect to any Series of Bonds, the Bond Registrar appointed by the City at the time serving as such under the related Supplemental Agreement, whether the original or a successor Bond Registrar, and in the absence of a contrary designation means the Trustee itself.

"Business Day" means any day (a) other than a day on which banks in New York, New York, or the city to which notices to the Trustee are to be sent, are required or authorized to close, and (b) on which the New York Stock Exchange is not closed.

“Capital Appreciation Bonds” means Bonds (by whatever name designated) the interest on which is compounded at the rates and on the dates set forth in a Supplemental Agreement and is payable only upon redemption or on the maturity date of those Bonds. A “Current Interest Bond” is any Bond that is not a Capital Appreciation Bond.

“Capitalized Interest Account” means the account in the Bond Fund created and so designated by the Trust Agreements.

“City” means the City of Mebane, North Carolina, or its successors.

"City Council" means the City's governing board as from time to time constituted.

"City Representative" means the City Manager, the City's statutory finance officer or any other person or persons at the time designated, by a written certificate furnished to the Trustee and signed on the City's behalf by the City Manager or the City's Mayor (or successor officer) to act on the City's behalf for the purpose of performing any act (or any specified act) under the Trust Agreements.

"Closing Date" means the date on which the Third Supplemental Trust Agreement is first executed and delivered by the parties and the 2024 Bonds are delivered to their initial purchaser. The City expects the Closing Date will be on or about October ____, 2024.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and revenue procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds. Reference to any specific Code provision includes any successor provisions.

“Completion Indebtedness” means any Long-Term Indebtedness incurred to finance the completion of (a) any project for which the Prior Bonds were issued, (b) the 2024 Project, and (c) any Additional Project for which Long-Term Indebtedness has theretofore been incurred, to the extent necessary to complete the Project, in substantially the same manner and scope contemplated at the time that the Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such Additional Project, as originally prepared with only such changes as are determined by a city Certificate.

“Consultant’s Report” means any written report, certificate, opinion or similar determination, without regard to its designation, made by an Appropriate Consultant.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit facility permitted by the Act (but not including a Bond Insurance Policy) and established or obtained in connection with the incurrence of any Parity Indebtedness or Subordinate Indebtedness.

“Credit Provider” means the Person providing a Credit Facility, as designated in the Supplemental Agreement providing for the issuance of the related Bonds or in the Parity Debt Resolution providing for the incurrence of Parity Debt or in the Subordinate Indebtedness Resolution providing for the incurrence of Subordinate Indebtedness; provided, however, that the Credit Provider may not be the Trustee unless an arrangement satisfactory to the LGC has been established designating a co-trustee or separate trustee for the purpose of drawing on the Credit Facility. To the extent permitted by law, the City may be a Credit Provider for the sole purpose of providing liquidity support if the LGC approves.

“Current Expenses” means the City’s current expenses for the System’s operation, maintenance and repair as determined in accordance with generally accepted accounting principles, except as modified by this definition. “Current Expenses” include

- all ordinary and usual expenses of operation, maintenance and repair, which may include expenses not annually recurring,
- direct and allocable indirect administrative expenses,
- salaries and other compensation,
- operating lease payments,
- payments to any pension or retirement plan or plans properly chargeable to the System,
- insurance premiums and expenses,
- engineering and architectural expenses relating to the System’s operation, maintenance or repair,

- fees and expenses of the Trustee, any Bond Registrar, Depositary, tender agent or paying agent, legal fees and expenses, Credit Facility fees, remarketing fees and fees of Appropriate Consultants,
- penalty fees and fees or interest on late payments, and
- any other similar-type current expenses required to be paid by the City under the Master Trust Agreement or by law;

but “Current Expenses” does not include

- any reserves for extraordinary replacements or repairs,
- any allowance for depreciation or any amortization of financing expense,
- any deposits to any fund, account and subaccount created under the Master Trust Agreement and payments of principal, premium, if any, and interest from those funds, accounts and subaccounts,
- any debt service payments or reserves or deposits for debt service payments in respect of Parity Debt, Subordinate Indebtedness, Installment Debt or System G.O. Debt.

“Default” means any event or occurrence which, with the passage of time or giving of notice, or both, would become an Event of Default.

“Depositary” means one or more banks or trust companies or other institutions, including the Trustee, duly authorized by law to engage in the banking business and designated by the City, from time to time, as a depositary of moneys under the Trust Agreements.

“Derivative Agreement” means an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security however denominated, entered into to hedge interest rate fluctuations on all or a portion of any Indebtedness or to provide debt management by changing payments to be made by the City with respect to all or a portion of any Indebtedness.

“Derivative Agreement Scheduled Payments” means scheduled payments required to be paid by the City under a Derivative Agreement that are based upon a fixed or variable imputed rate on a notional amount set forth in the Derivative Agreement and

which are intended by the City to correspond to interest payments on the underlying Derivative Indebtedness.

“Derivative Indebtedness” means the portion of any Indebtedness meeting the requirements set forth in clauses (i) and (ii) below:

(i) the City has entered into a Derivative Agreement in respect of all or a portion of the Indebtedness, and

(ii) (A) if that Indebtedness bears interest at a variable rate, the Derivative Agreement provides that during the Derivative Period, the City shall pay to the provider of the Derivative Agreement a fixed rate and the provider of the Derivative Agreement shall pay to the City a variable rate on a notional amount equal to all or a portion of the Outstanding principal amount of such Indebtedness, or (B) if that Indebtedness bears interest at a fixed rate, the Derivative Agreement provides that during the Derivative Period, the City shall pay to the provider of the Derivative Agreement a variable rate and the provider of the Derivative Agreement shall pay to the City a fixed rate on a notional amount equal to all or a portion of the Outstanding principal amount of such Indebtedness.

“Derivative Period” means the period during which a Derivative Agreement is in effect.

"DTC" means The Depository Trust Company, Jersey City, New Jersey, its successors as the securities depository maintaining a book-entry system for recording beneficial ownership interests in the Bonds.

“Eminent Domain” means the eminent domain or condemnation power by which all or any part of the System may be taken for another public use or any agreement that is reached in lieu of proceedings to exercise such power.

“Enterprise” means any project, facilities or system constituting a “revenue bond project” under the Act.

"Event of Default" has the meaning set forth in the Trust Agreements.

"Federal Securities" means, to the extent they are Legal Investments, (a) direct obligations of the United States of America for which its full faith and credit are pledged, or (b) securities or obligations evidencing direct ownership interests in specified portions (principal or interest) of obligations described in (a), and expressly includes (i)

obligations stripped by the United States Treasury itself and (ii) interest-only portions of obligations issued by the Resolution Funding Corporation.

"Fiscal Year" means the City's fiscal year beginning July 1, or such other fiscal year as the City may later lawfully establish.

"General Fund" means the City's existing general fund or any successor to its function.

"General Statutes" means the North Carolina General Statutes, as amended.

"Holders" means the beneficial owners of all Indebtedness other than Bonds, except that for any Indebtedness held in a registered form, "Holders" means the registered owners of that Indebtedness.

"Income Available for Debt Service" means, for any period, the City's excess of Revenues over Current Expenses. Unless otherwise specified, any amount of Income Available for Debt Service is to be determined by the Most Recent Audit.

"Indebtedness" means all obligations incurred or assumed by the City in connection with the ownership or operation of the System:

(a) for payments of principal and interest with respect to borrowed money, including any obligation to repay a Credit Provider for moneys drawn to pay and retire or purchase Indebtedness; and

(b) for payments under leases which are required to be capitalized in accordance with generally accepted corporate accounting principles and under installment or lease purchase or conditional sale contracts;

provided, however, that (i) Indebtedness includes only obligations that are secured by a pledge of Net Receipts, (ii) any obligation to pay a Credit Provider for moneys drawn to purchase, but not pay and retire, Indebtedness constitutes Indebtedness only to the extent those payments are in excess of any scheduled payments of principal and interest required to be made to such Credit Provider as an Owner or Holder of such Indebtedness and (iii) Indebtedness does not include System G.O. Debt.

"Independent Counsel" means an attorney duly admitted to the practice of law in the State that the City may select from time to time.

“Installment Debt” means any obligation to repay borrowed money in the form of a capitalized lease, lease-purchase arrangement, installment financing arrangement under 160A-20 of the General Statutes, or similar arrangement, however denominated.

“Interest Account” means the account in the Bond Fund created and so designated by the Trust Agreements.

“Interest Payment Date” means, with respect to any Series of Bonds, each of the interest payment dates provided for in the Supplemental Agreement relating to that Series.

“Last Audited Year” means the most recent City Fiscal Year for which the City’s audited financial statements are available.

"Legal Investments" means all investments as are legal investments for the City's funds, as determined at the time of investment, and “Investment Obligations” means the securities purchased as Legal Investments and held under the Trust Agreements.

"LGC" means the North Carolina Local Government Commission, or any successor to its functions.

“Long-Term Debt Service Requirement” means, for any period of twelve consecutive calendar months for which the determination is made, the aggregate of the required deposits to be made in respect of Principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness during that period, also taking into account:

(a) With respect to Balloon Long-Term Indebtedness, the amount of principal which would be payable in the period if that principal were amortized from the date of incurrence over a period of 30 years (or the actual number of years over which the Balloon Long-Term Indebtedness is being amortized, if less than thirty years) on a level debt service basis at an interest rate equal to the current market rate for an obligation with that assumed amortization as set forth in a City Certificate; provided, however, that if the date of calculation is within twelve calendar months of the actual final maturity date of that Indebtedness, the full amount of principal payable at maturity must be included in the calculation, unless a commitment acceptable to the City and the LGC by an institutional lender or municipal underwriting firm exists (which commitment may contain typical and customary conditions) to provide financing to refinance that Indebtedness and that commitment provides for the refinancing of that Indebtedness on terms which would, if the commitment was implemented, constitute Long-Term

Indebtedness, then the payment terms contained in the commitment will be utilized for purposes of calculating the Long-Term Debt Service Requirement with respect to that Balloon Long-Term Indebtedness;

(b) With respect to Long-Term Indebtedness which is Variable Rate Indebtedness, the interest on that Indebtedness will be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), as stated in a City Certificate. For new Variable Rate Indebtedness proposed to be incurred, the interest rate will be the lower of (i) the rate stated in a City Certificate as the average of the actual interest rates which would have been in effect (weighted according to the length of the period during which each interest rate would have been in effect) on the Variable Rate Indebtedness for the most recent twelve-month period immediately preceding the calculation date for which such information is available (or shorter period if such information is not available for a twelve-month period) and (ii) the initial rate to be borne by the Variable Rate Indebtedness, and thereafter will be calculated as set forth above.

(c) With respect to any Credit Facility, (i) to the extent that the Credit Facility has not been used or drawn upon, the principal and interest relating to that Credit Facility will not be included in the Long-Term Debt Service Requirement and (ii) to the extent that the City has reimbursed a Credit Provider for a drawing on a Credit Facility to pay principal or interest on Indebtedness that is already included in the Long-Term Debt Service Requirement, only the portion of the reimbursement payment that is in excess of the payment of principal and interest paid from the drawing will be included in the Long-Term Debt Service Requirement.

(d) With respect to Derivative Indebtedness, during any Derivative Period and for so long as the provider of the Derivative Agreement has not defaulted on its payment obligations under the Derivative Agreement, the amount of interest payable on the Derivative Indebtedness will be calculated as follows:

(1) if the Derivative Indebtedness bears interest at a variable rate, by adding (x) the amount of interest payable by the City on that Derivative Indebtedness at such variable rate (calculated as provided in subparagraph (b) above) plus (y) the amount of interest payable by the City under the Derivative Agreement at the Synthetic Fixed Rate, but subtracting (z) the amount of interest payable by the Derivative Agreement provider at the variable rate specified in the Derivative Agreement (calculated as provided in subparagraph (b) above); and

(2) if the Derivative Indebtedness bears interest at a fixed rate, by adding (x) the amount of interest payable by the City on the Derivative Indebtedness at the fixed rate plus (y) the amount of interest payable by the City under the Derivative Agreement at the Synthetic Variable Rate (calculated as provided in subparagraph (b) above), but subtracting (z) the amount of interest payable by the Derivative Agreement provider at the fixed rate specified in the Derivative Agreement;

In all cases, accrued and capitalized interest is excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness or otherwise provided so as to be available for deposit into an account for capitalized interest or similar account not later than the date of delivery of and payment for that Long-Term Indebtedness. Also in all cases, the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness does not include principal or interest payable from Qualified Escrow Funds.

“Long-Term Indebtedness” means all Indebtedness for any of the following:

(a) money borrowed for an original term, or renewable at the City’s option for a period from the date originally incurred, of longer than one year;

(b) Installment Debt having an original term, or renewable at the option of the City for a period from the date originally incurred, of longer than one year; and

(c) arrangements described in (a) having an original term of less than one year, if a Credit Facility exists to provide financing to retire that Indebtedness and the Credit Facility provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness.

Long-Term Indebtedness shall only include the obligations described in (a), (b) and (c), however, to the extent that such obligations are within the definition of Indebtedness.

“Majority Owners” means, as of any date, the Owners of at least a majority in principal amount of the Bonds then Outstanding.

“Maximum Long-Term Debt Service Requirement” means the highest Long-Term Debt Service Requirement for the present and any succeeding Fiscal Year.

“Most Recent Audit” means the audited financial statements prepared in accordance with the requirements of Section 4.05 that relate to the most recent City Fiscal Year covered by such an audit.

“Net Proceeds” means (a) the gross proceeds paid to the City as a final award for the taking by Eminent Domain of any part of the System, along with (b) the gross proceeds paid to the City as a result of any casualty insurance policy with respect to the System or as a result of any liability insurance policy, but in either case reduced by the sum of all amounts expended by the City or the Trustee (i) to collect those gross proceeds or (ii) to remedy the event giving rise to the proceeds, all of which amounts will be paid or reimbursed from the gross proceeds.

“Net Proceeds Fund” means the fund created and designated the Mebane System Net Proceeds Fund under the Trust Agreements.

“Net Receipts” for any particular period means the excess, if any, of Receipts after the payment of Current Expenses for such period.

"Opinion of Counsel" or "Opinion of Bond Counsel" means a written opinion of Independent Counsel or Bond Counsel, as appropriate.

“Outstanding” when used with reference to Bonds means, as of a particular date, all Bonds theretofore authenticated and delivered under the Trust Agreements, except

(a) Bonds theretofore canceled by the Bond Registrar or delivered to the Bond Registrar for cancellation;

(b) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Trust Agreements;

(c) Bonds deemed to have been paid in accordance with the Trust Agreements;
and

(d) Bonds constituting Put Indebtedness deemed to have been purchased in accordance with the provisions of the applicable Supplemental Agreement in lieu of which other Bonds have been delivered under such Supplemental Agreement.

When used with reference to Parity Debt, “Outstanding” means, as of a particular date, all Parity Debt except:

(a) Parity Debt theretofore canceled by the City;

(b) Parity Debt for the payment or redemption of which money, Federal Securities in an amount sufficient to pay on the date when such Parity Debt is to be paid or redeemed the principal amount of or Redemption Price of, and the interest accruing to such date on, the Parity Debt to be paid or redeemed, has been deposited with an escrow agent in trust for the Holders of such Parity Debt; Federal Securities will be deemed to be sufficient to pay or redeem Parity Debt on a specified date if the principal and the interest on those Federal Securities, when due, together with any money left uninvested, will be sufficient to pay on such date the principal amount of or Redemption Price of, and the interest accruing on, such Parity Debt to such date;

(c) Parity Debt in exchange for or in lieu of which other Parity Debt has been delivered under the documentation securing such Parity Debt;

(d) Parity Debt deemed to have been paid in accordance with the defeasance or like provisions of the Parity Debt Resolution providing for the issuance of the Parity Debt; and

(e) Parity Debt constituting Put Indebtedness deemed to have been purchased in accordance with the provisions of the applicable Parity Debt Resolution in lieu of which other Parity Debt has been incurred under the Parity Debt Resolution.

"Owner," when used with reference to Bonds, or "Bondholder," means the person in whose name a Bond is registered on the registration books maintained by the Trustee.

"Parity Debt" means all Indebtedness incurred by the City in respect of the System and not evidenced by Bonds which is secured on a parity (as so designated in the Parity Debt Resolution) with the Bonds by a pledge, charge and lien upon the Net Receipts as provided in this Trust Agreement.

"Parity Debt Resolution" means the resolution and any other documentation adopted or executed and delivered by the City providing for the incurrence of Parity Debt. If Parity Indebtedness is to be the subject of a Credit Facility providing for repayments for draws under the Credit Facility on a parity basis, then "Parity Debt Resolution" includes any reimbursement agreement or similar repayment agreement executed and delivered by the City in connection with the provision of a Credit Facility for any Series of Bonds or any Parity Debt.

"Parity Indebtedness" means all Bonds and Parity Debt.

“Parity Reserve Account” means the account in the Bond Fund created and so designated by the Trust Agreements.

“Parity Reserve Account Requirement” means the greatest reasonably required reserve or replacement fund within the limits provided for under Treas. Regs. Section 1.148-2(f), unless the applicable Parity Resolution specifies a lower amount.

“Parity Resolution” means a Supplemental Agreement or a Parity Debt Resolution, or both, as the case may be, authorizing the issuance of a Series of Bonds or the incurrence of Parity Debt.

"Payment Date" means the dates specified for principal and interest payments with respect to any Bonds or Parity Debt, and with respect to the 2024 Bonds means each February 1 and August 1, beginning February 1, 2024.

"Payment Fund" means the City of Mebane Bond Payment Fund established in the Trust Agreements.

“Permitted Encumbrances” means in addition to any charge created or permitted by the Trust Agreements upon the System or any part thereof or on the Net Receipts:

(a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the City;

(b) (i) covenants, easements, encumbrances, defects of title, reservations, restrictions and conditions existing at the time of delivery of the oldest Outstanding Prior Bonds, and (ii) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, in any case which does not materially impair the use of the affected property for its intended purposes;

(c) mechanics’, workers’, repairmen’s, architects’, engineers’, surveyors’, or carriers’ liens or other similar liens provided that the City is undertaking in good faith and with due diligence to discharge or challenge any lien of this kind;

(d) other liens, charges and encumbrances that, as evidenced by a Consultant’s Report filed with the Trustee, do not prevent or materially impair the use of the System; and

(e) encumbrances on property, plant and equipment comprising a part of the System to the extent permitted by the Trust Agreements.

“Person” includes corporations, firms, associations, partnerships, joint ventures, joint stock companies, trusts, unincorporated organizations, and public bodies, as well as natural persons.

“Principal” means (a) with respect to any Capital Appreciation Bond, the Accreted Amount thereof (the difference between the stated amount to be paid at maturity and the Accreted Amount being deemed unearned interest) except as used in connection with the authorization and issuance of Bonds and with the order of priority of payments of Bonds after an Event of Default, in which case “Principal” means the initial public offering price of a Capital Appreciation Bond and the difference between the Accreted Amount and the initial public offering price shall be deemed to be interest and (b) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity or in satisfaction of a Sinking Fund Requirement, if applicable.

“Principal Account” means the account in the Bond Fund created and so designated by the Trust Agreements.

“Prior Bonds” means, together, the City’s Combined Utilities Revenue Bonds previously issued as (a) Series 2021A Bonds in the original principal amount of \$2,479,000, (b) Series 2021B Bonds in the original principal amount of \$10,824,000, and (c) Series 2023 Bonds in the original principal amount of \$5,773,000.

“Project Costs” means all costs of the design, planning, constructing, acquiring, installing, equipping and improving any improvements to the System, all as determined in accordance with generally accepted accounting principles and that will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Bonds to which it is intended that interest will be entitled. “Project Costs” include (a) sums required to reimburse the City or its agents for advances made for any costs otherwise described in this definition, (b) interest during the period of acquisition and construction of Improvements and for up to six months thereafter, and (c) all costs related to the financing of improvements, the issuance of Bonds and all related transactions.

“Project Fund” means the Mebane 2024 Project Fund established pursuant to the Third Supplemental.

“Put Indebtedness” means fixed or variable rate Long-Term Indebtedness 25% or more of the principal of which may, at the option of the Owner or Holder thereof, be

tendered to the City, the Trustee, a Depositary or a paying agent or other fiduciary, or an agent of any of the foregoing, for payment or purchase at one time.

“Qualified Escrow Funds” means amounts deposited in a segregated escrow fund or other similar fund or account in connection with the issuance of Long-Term Indebtedness which fund or account is required by the documents establishing such fund or account to be applied toward the City’s payment obligations with respect to principal or interest on (a) the Long-Term Indebtedness which is incurred under the documents establishing such fund or account or (b) Long-Term Indebtedness which is incurred prior to the establishment of such fund or account.

“Rate Covenant” means the covenant to set adequate rates and charges set out in the Trust Agreements and described above under the caption “Rate Covenant” in these summaries.

“Rates” means all rates, fees, rentals and charges for the use of and for services furnished or to be furnished by the System as are now or as may be later permitted by law and imposed by the City, however denominated.

“Receipts” means all receipts, revenues, income, proceeds and money received in any period by or for the City in respect of the System, including the following:

- (a) all payments, proceeds, fees, charges, rents, including, without limiting the generality of the foregoing, tap, connection, sampling and monitoring fees, and all other income derived by or for the City for the use of and for the services and facilities furnished by or from the operation or ownership of the System, and all other income derived by the City from the operation or ownership of the System, and all proceeds of any rights to receive the same

- (b) any System Development Fees and special assessments (unless and to the extent a City Certificate states that any particular Fees or assessments are not to be included as Receipts or Revenues)

- (c) any proceeds of use and occupancy or business interruption insurance

- (d) the proceeds of any appropriation or similar payment to the City made by any municipal corporation, political subdivision of the State, the State or any State agency, including (but not limited to) appropriations or similar payments to subsidize, in whole or in part, the debt service payment requirements on Indebtedness, but only if (i)

the proceeds or payments constitute “revenues” of the System, as determined in accordance with generally accepted accounting principles or (ii) a City Certificate states that the payments are to be “Receipts” and “Revenues” under the Trust Agreements

but there shall not be included in “Receipts”

- (a) the proceeds of any gifts, grants, bequests, contributions or donations
- (b) the proceeds from the sale or disposition of all or any part of the System
- (c) reimbursements received by the City of advances made by it in respect of (i) any Project for which the City has issued Bonds, (ii) any Additional Project, (iii) any refinancing of Indebtedness and (iv) any capital improvements
- (d) the investment income realized on, and the income and gains realized upon the maturity or sale of, securities held by or on behalf of the City in any funds, accounts and subaccounts established by or pursuant to this Trust Agreement, to the extent that income and those gains as so realized are required to be deposited to some fund, account or subaccount other than the Revenue Fund as may be provided in this Trust Agreement or in any Parity Resolution,
- (e) debt service or other payments made to the City in respect of Special Purpose Facilities, to the extent and for so long as such payments are pledged to secure the financing of those facilities, unless stated otherwise in a City Certificate
- (f) Net Proceeds other than the net proceeds of any use and occupancy or business interruption insurance,
- (g) the income from the investment of Qualified Escrow Funds to the extent that income is applied to the payment of the principal of or the interest on Long-Term Indebtedness which is excluded from the determination of the Long-Term Debt Service Requirement,
- (i) the proceeds of any security deposits or moneys received to make refunds to users, and
- (j) the proceeds of any Indebtedness.

"Record Date" means the end of the calendar day on the 15th day of the month (whether or not a Business Day) preceding a Payment Date.

“Redemption Account” means the account in the Bond Fund created and so designated by the Trust Agreements.

“Redemption Price” means, with respect to any Indebtedness or portion thereof, the principal amount of such Indebtedness or portion called for redemption plus the applicable premium, if any, payable upon redemption thereof.

“Reserve Alternative Instrument” means an unconditional insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Parity Reserve Account or a Special Reserve Account in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Parity Reserve Account Requirement or a Special Reserve Account Requirement. The Reserve Alternative Instrument must be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Fund Account in order to provide for the timely payment of interest and principal (whether at maturity or pursuant to Sinking Fund Requirements therefor), and must otherwise comply with requirements set out in the Trust Agreements.

“Revenue Fund” means the fund created and designated the Mebane System Revenue Fund by the Trust Agreements.

“Revenues” means revenues of the System, as determined in accordance with generally accepted accounting principles, but with the same modifications to that definition as are provided for in the definition of “Receipts.”

“Serial Bonds” means the Bonds of any Series that are stated to mature in consecutive annual installments.

“Series,” whenever used herein with respect to Bonds, means all of the Bonds designated as being of the same series.

“Short-Term Indebtedness” means all Indebtedness incurred for borrowed money that is not Long-Term Indebtedness.

“Sinking Fund Account” means the account in the Bond Fund created and so designated by the provisions of the Trust Agreements.

“Sinking Fund Requirement” means, with respect to any Series of Bonds, the requirement to pay obligations in installments in advance of the stated maturity dates, as may be provided in the Supplemental Agreement relating to such Series.

“Special Purpose Facilities” means any System improvements that are financed by the issuance of obligations which are issued in compliance with the provisions of the Trust Agreements but are not, directly or indirectly, secured by or payable from Receipts or Net Receipts or issued under or secured by the provisions of this Trust Agreement, nor is the operation and maintenance of such Special Purpose Facilities payable as a Current Expense.

“Special Reserve Account” means a special debt service reserve account, if any, created by a Parity Resolution as a debt service reserve account only for the particular Parity Indebtedness authorized thereby.

“Special Reserve Account Requirement” means the amount required to be placed or maintained in a Special Reserve Account as may be required by the Parity Resolution creating such Account. The Special Reserve Account Requirement may be composed of cash, Investment Obligations or Reserve Alternative Instruments or any combination of the foregoing, as the City may determine.

“State” means the State of North Carolina.

“State Program Loans” means obligations incurred by the City through (a) the program established by the Education, Clean Water, and Parks Bond Act of 1993, Chapter 542 of the 1993 Session Laws, as amended, providing for loans to local governments for water and wastewater projects, (b) the program established by the State’s Clean Water Revolving Loan and Grant Act providing for loans to local governments for water and wastewater capital projects, or (c) any similar program established or sponsored by the State to provide subsidized financing to local governments for water and sewer projects.

“Subordinate Indebtedness” means all Indebtedness incurred by the City in respect of the System which may be made payable from Net Receipts but only after the other payments required by the Trust Agreements have been made. Subordinate Indebtedness shall not include any obligations issued in compliance with the provisions of the Trust Agreements to finance Special Purpose Facilities. “Subordinate Indebtedness” also includes amounts payable by the City to the City of Graham, North Carolina, under existing interlocal agreements for water supply and access to wastewater treatment capacity.

The terms of any Subordinate Indebtedness shall provide that it shall be subordinated and junior in right of payment to the prior payment in full of Parity Indebtedness to the extent and in the manner set forth below:

“Subordinate Indebtedness Resolution” means the resolution and any other documentation adopted or executed by the City providing for the incurrence of Subordinate Indebtedness. If the Subordinate Indebtedness is to be the subject of a Credit Facility, the Credit Facility must provide for repayments on a subordinate basis and the term Subordinate Indebtedness Resolution shall include any reimbursement agreement or similar repayment agreement executed and delivered by the City in connection with the provision of a Credit Facility for any Subordinate Indebtedness.

“Supplemental Agreement” means an order or resolution of the City authorizing any particular Series of Bonds, together with a supplemental trust agreement executed and delivered by the City in connection with the issuance of such Series of Bonds that is required to be executed and delivered by this Trust Agreement prior to the issuance of that Series. The term “Supplemental Agreement” includes the Third Supplemental.

"System" means all the City's plants, systems, facilities, equipment or other assets, including both real and personal property, used or useful (a) in the collection, treatment, purification, transmission or disposal of wastewater or (b) in the collection, supply, storage, treatment and distribution of water. "System" also includes the assets of any other Enterprise that may be added thereto by resolution of the City in accordance with the Trust Agreements, but does not include any Enterprise that is removed from the System in accordance with the Trust Agreements.

“System Development Fees” means any fee or charge imposed by the City under the authority of N.C. Gen. Stat. Section 162A-200 et seq. (codifying Session Law 2017-138), or any successor provision, however denominated.

“System Fund Balance” means the Utility System Enterprise Fund Unrestricted Net Position as shown in the City's Most Recent Audit, or any reported position or balance of substantially the same import if the name of the reported position for accounting purposes changes.

“System G.O. Debt” means general obligation indebtedness incurred by the City to finance all or any part of the System or to refinance indebtedness incurred to finance all or any part of the System, whenever issued.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, that are designated as such in the Supplemental Agreement for such Series, including the 2024 Bonds now offered that are stated to mature on February 1, _____.

“Third Supplemental” means the Third Supplemental Trust Agreement dated as of October 1, 2024, between the City and the Trustee, providing for the issuance of the 2024 Bonds.

“Total Operating Revenues” means, as to any period of time, total operating revenues of the System as determined in accordance with generally accepted accounting principles.

“Trustee” means the bank or trust company from time to time serving as trustee under the Trust Agreements, whether the original or a successor Trustee.

“Variable Rate Indebtedness” means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate.

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APPENDIX D

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit's debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

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

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

the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets and all other financial powers conferred upon such governing board by law.

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

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

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October __, 2024

City of Mebane, North Carolina

\$ _____

City of Mebane, North Carolina
Combined Utilities Revenue Bonds, Series 2024

We have acted as bond counsel to the City of Mebane, North Carolina (the "City"), in connection with the City's issuance today of the above-captioned bonds (the "Bonds"). The City is and has been our only client in this transaction.

We have examined the applicable law and certified copies of proceedings and documents relating to this issuance. The Bonds are issued pursuant to a Supplemental Bond Order adopted by the City's governing City Council on October 7, 2024 (the "Bond Order"), a Master Trust Agreement between the City and a trustee (the "Trustee") dated as of September 1, 2021 (the "Master Agreement"), and a Third Supplemental Trust Agreement between the same parties dated as of October 1, 2024 (the "Third Supplemental Agreement" and together with the Master Agreement as previously supplemented, the "Trust Agreements").

Reference is made to the Bonds, the Trust Agreements and the Official Statement dated October __, 2024 (the "Official Statement"), related to the offering of the Bonds, for additional information concerning the details of the Bonds, their payment and redemption provisions, their purposes and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on representations and certifications by representatives of the City, the North

Carolina Local Government Commission and others as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The City has made certain covenants (the "Covenants") to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of Bond proceeds and the timely payment of any arbitrage rebate required under the Code, all as set forth in the proceedings and documents providing for the issuance of the Bonds.

We have assumed the capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies or specimens. We have assumed the enforceability of the Trust Agreements against the Trustee and the Trustee's due authentication and delivery of the Bonds.

Based on the foregoing, as of today and under existing law, we are of the following opinions:

1. The City has duly authorized, executed and delivered the Trust Agreements. Both the Master Agreement and the Third Supplemental Agreement are legal, valid and binding special obligations of the City, enforceable in accordance with their respective terms. The Master Agreement and the Third Supplemental Agreement are effective to create a lien on the "Net Receipts," as defined in the Master Agreement, and on the money and investments in the funds and accounts created under the Trust Agreements as described in those Agreements.

2. The City has duly authorized and issued the Bonds. The Bonds are legal, valid and binding special obligations of the City, enforceable in accordance with their terms and secured as provided in the Trust Agreements.

Our opinions as set forth in paragraphs 1 and 2 are subject to the effect (a) of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and (b) of general principles of equity, regardless of whether applied in a proceeding in equity or at law.

The City's faith and credit are not pledged for the payment of the principal of

or interest on the Bonds, and no owner of the Bonds has the right to compel the exercise of any governmental taxing power in connection with any default in payment. The Bonds are payable solely from the Net Receipts and other revenues and funds pledged therefor as provided in the Bond Order and the Trust Agreements. The City may issue or incur additional obligations that are also secured by a lien on Net Receipts upon the terms and conditions set forth in the Trust Agreements.

3. Interest on the Bonds paid by the City is not included in gross income for federal income tax purposes. Interest on the Bonds is not a separate tax preference item for purposes of the federal 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. The City's failure to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. Interest on the Bonds is exempt from existing State of North Carolina income taxes.

We express no opinion regarding other federal or North Carolina tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

Our services as bond counsel have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we have deemed necessary to evaluate the legality, validity and enforceability of the Bonds and to evaluate the status of the interest on the Bonds under the federal and North Carolina tax laws referenced above.

We have not made any investigation concerning the City's operations or condition. We express no opinion here (a) as to the City's ability to provide for payments on the Bonds, (b) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in deciding to purchase the Bonds, including the Official Statement, or (c) as to any party's compliance with any terms or conditions precedent to any purchase of the Bonds.

This opinion is based on constitutional and statutory provisions and judicial decisions existing today. We assume no responsibility to update this opinion or take any other action regarding changes in facts, circumstances or the applicable law.

Very truly yours,

[To Be Signed, "Sanford Holshouser LLP"]

APPENDIX F
DTC'S BOOK-ENTRY ONLY SYSTEM

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DTC'S BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2024 Bonds. The Series 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 2024 Bond will be issued for each maturity of each series of the 2024 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with the Trustee on behalf of DTC. So long as Cede & Co. is the Registered Owner of the Series 2024 Bonds, as DTC’s partnership nominee, reference herein to the owners or registered owners of the Series 2024 Bonds will mean Cede & Co. and will not mean the beneficial owners of the Series 2024 Bonds.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. 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: 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 Series 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2024 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2024 Bond (“*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 in the Series 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 certificates representing their

ownership interests in Series 2024 Bonds, except in the event that use of the book-entry system for the Series 2024 Bonds is discontinued.

To facilitate subsequent transfers, all Series 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 Series 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 Series 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 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 Series 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Series 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.

Redemption notices will be sent to DTC. If less than all of the Series 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 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 SERIES 2024 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE BOND ORDER, 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 CITY, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE SERIES 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Redemption proceeds, principal and interest payments on the Series 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on each payment 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 City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, 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 TRUSTEE AND THE CITY 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 securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2024 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2024 Bond certificates will be printed and delivered in accordance with DTC's rules and proceedings.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2024 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE SERIES 2024 BONDS UNDER THE TERMS OF THE BOND ORDER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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