



Comprehensive Annual
FINANCIAL REPORT
City of Wilmington North Carolina
For the Fiscal Year Ended June 30, 2014



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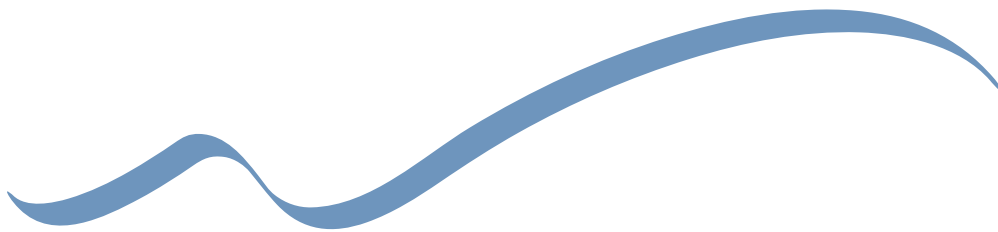


Municipal Golf Course Renovation

City of Wilmington North Carolina

Comprehensive Annual FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



Prepared by the Finance Department



W CITY OF
WILMINGTON
NORTH CAROLINA

INTRODUCTORY SECTION TAB (FRONT)

INTRODUCTORY SECTION TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

Comprehensive Annual Financial Report

Year Ended June 30, 2014

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City Council

Bill Saffo, Mayor
Margaret Haynes, Mayor Pro-Tem
Laura W. Padgett
Kevin O'Grady
Charlie Rivenbark
Neil Anderson
Earl Sheridan

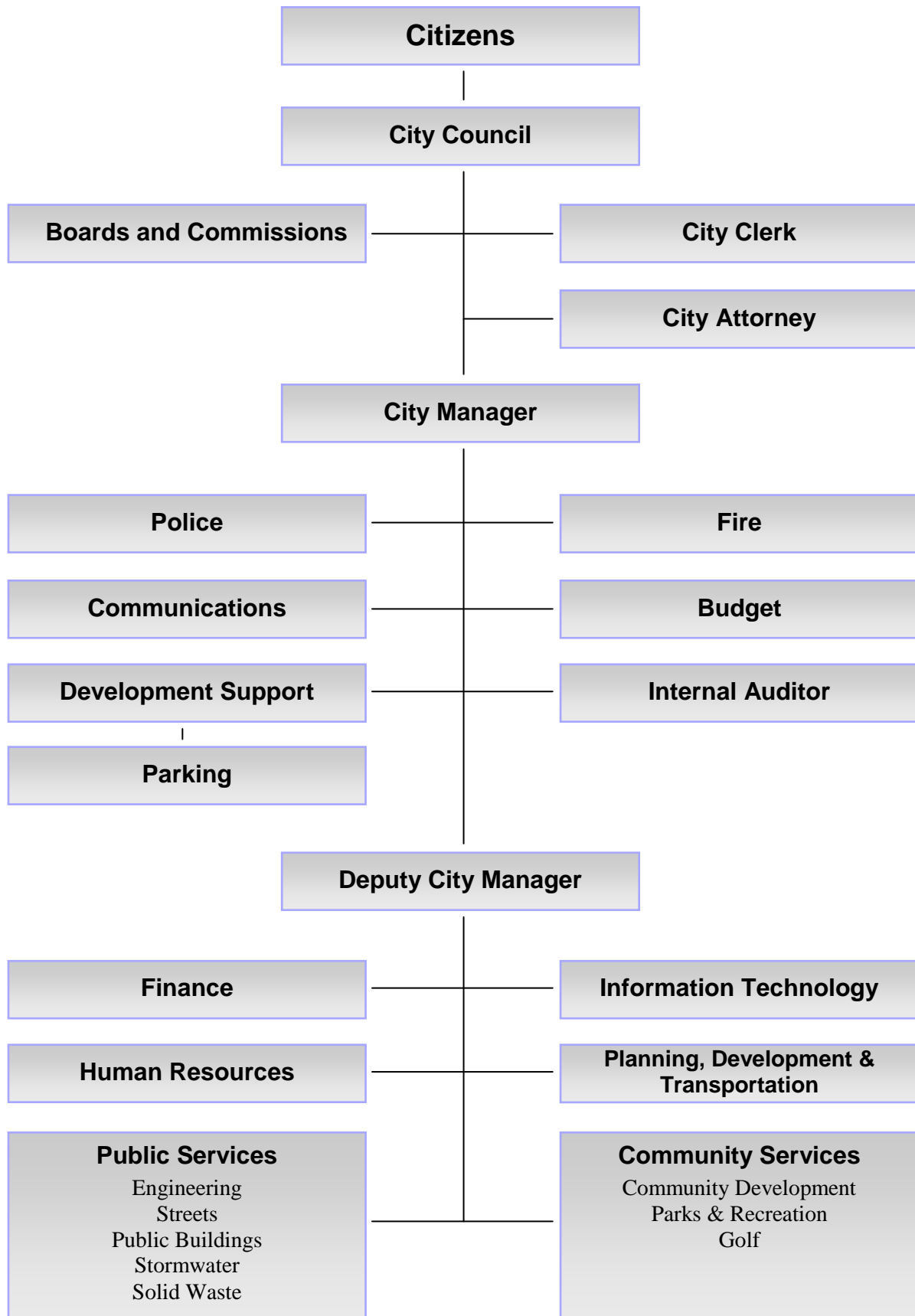
City Manager

Sterling B. Cheatham

Finance Director

Debra H. Mack





December 11, 2014



TO THE HONORABLE MAYOR, MEMBERS OF THE CITY COUNCIL AND CITIZENS OF THE CITY OF WILMINGTON, NORTH CAROLINA

It is our pleasure to submit the Comprehensive Annual Financial Report of the City of Wilmington, North Carolina for the fiscal year ended June 30, 2014. State law requires that all general-purpose local governments annually publish a complete set of financial statements. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report complies with these requirements.

The Comprehensive Annual Financial Report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect City assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of the internal controls should not outweigh their benefits, the City's comprehensive framework on internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by McGladrey LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014 are free of material misstatement. The independent auditor concluded, based upon the audit that the City's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal and state programs. These auditor reports are available in the Single Audit section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CITY OF WILMINGTON



Wilmington, incorporated in 1739, is located approximately at the midpoint of the eastern seaboard of the United States, in the southeastern coastal section of North Carolina. The City is an active business, service and industrial center for the surrounding five-county area with a population of more than 478,000 people area-wide. Numerous State and Federal agencies have regional offices in the area and the City serves as the financial, medical, legal, communications and transportation center for the southeastern part of the State. With a land area of approximately 52.9 square miles, the City is on the Cape Fear River approximately 30 miles from the Atlantic Ocean, the County seat of New Hanover County and home to the State's largest port. The City has a population of 111,773 people, making it the eighth largest city in North Carolina.



The City has a Council-Manager form of government. The Council is comprised of the Mayor and six Council members. The Mayor is elected at large every two years and the Council members are elected at large every four years with staggered terms. The Council is the legislative body of city government with the Mayor as a voting member and the presiding officer. The city manager is appointed by the Council and administers the daily operations of the City through appointed department heads.

The City provides the full range of services contemplated by statute. This includes police, fire, sanitation, streets, public improvements, planning and zoning and general administrative services. The City also operates parking facilities, a golf course, and provides solid waste and storm water management services. In addition, the Cape Fear Public Transportation Authority, a component unit, provides bus transit services within the City.

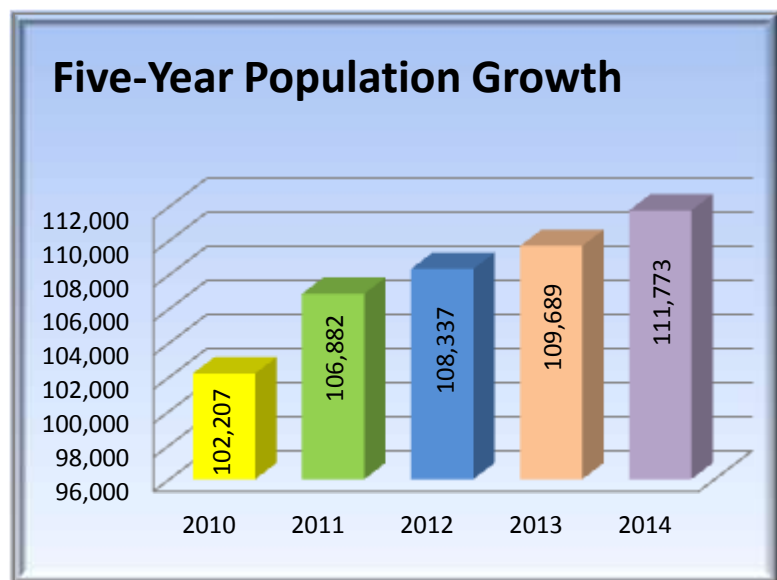
The City is empowered to levy a property tax on both real and personal properties located within its boundaries and New Hanover County is the only other unit that levies taxes within the City's corporate limits. The City is also empowered by State statute to extend its corporate limits by annexation, upon receipt of a valid petition signed by the owners of the real property located within the area.

The Annual Budget serves as the foundation of the City’s financial planning and control. The City’s strategic plan is revised as needed and priorities for the upcoming budget process are identified. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30, the close of the fiscal year. The annual budget is prepared at a functional level (e.g. public safety) for all annually budgeted funds and certain multi-year funds. Department heads may make transfers of appropriations within a department. Transfers of appropriations between functions (e.g. public safety to transportation), however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund and enterprise fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements for the governmental funds. For enterprise funds with appropriated annual budgets, this comparison is presented in the enterprise funds subsection of this report. Also included are budget-to-actual comparisons for each governmental fund and enterprise fund for which a project-length budget has been adopted (i.e., special revenue funds and capital projects funds).

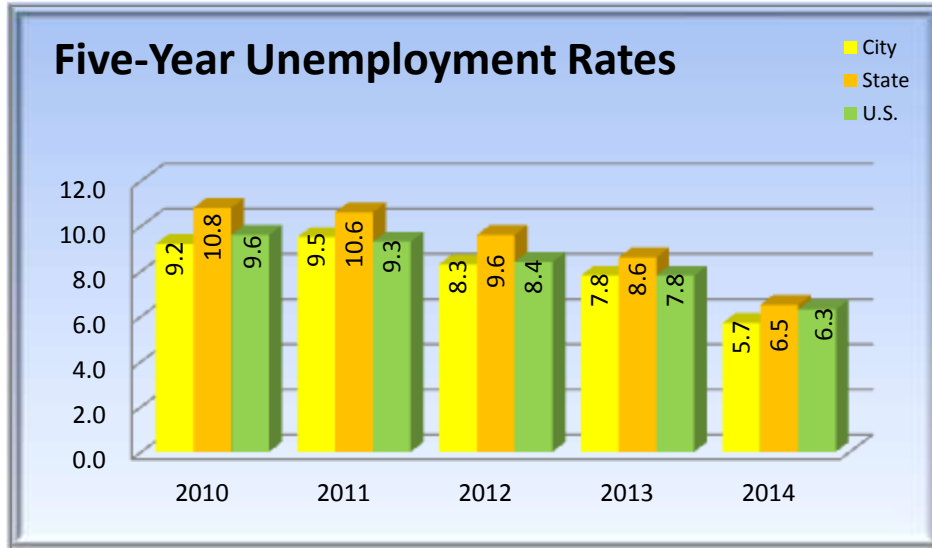
ECONOMIC CONDITIONS AND OUTLOOK

The City serves as the economic, cultural, and services hub for southeastern North Carolina. The historic attractions, mild climate, water related activities, and business opportunities have made the region one of the fastest growing areas of the nation. The Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index for 2013 ranks the Wilmington MSA 77th in the US and 4th in North Carolina in the largest metropolitan areas category for its ability to create and sustain jobs. Forbes magazine’s 16th annual ranking of Best Places for Business and Careers ranked Wilmington 60th out of the 200 largest metropolitan areas in the US. Wilmington earned the title of “Best American Riverfront” in USA TODAY’s “10 Best” contest for the nation’s best riverwalk in 2014. Moviemaker’s 2014 Edition of the Best Places to Live and Work ranked Wilmington 2nd of the top small cities. WalletHub’s 2014 most Educated Cities list ranked the Wilmington MSA 37th out of the top 150 MSA’s, “where the most educated Americans are choosing to settle”.

The City’s population has increased 46.5% since 2000. According to New Hanover County, total development exceeded \$383 million in fiscal year 2013-2014. The University of North Carolina at Wilmington’s Cameron School of Business hosted its annual event, “Outlook: Building Economic Clusters Conference” (previously known as the Economic Outlook Conference) in October 2014. The Conference focused on the economic vitality of Wilmington. Based on economic forecasts, the Wilmington area should expect economic growth of 3.0 percent during 2014 and 3.3% in 2015. This will be the 2nd year in a row that the local economy will likely grow at the same rate as the nation, which is expected to rise by 3.0 percent.



Wilmington’s unemployment rate has consistently been less than state levels and very close to federal levels. This is in part due to the diversity of the local economy with professional services, trade, health care, the hospitality industry, telecommunications equipment, pharmaceuticals and construction.



No single industry or employer dominates the local economy. Major employers in the City with over 1,000 employees include New Hanover Health Network, New Hanover County Schools, General Electric Company, UNCW, Pharmaceutical Product Development Inc., New Hanover County, Verizon Wireless, Cape Fear Community College, and Corning.

Top Ten Employers			Percentage of Total Employment (1)
Employer	Product/Service	Employees	
New Hanover Health Network*	Health Care	5,991	5.75%
New Hanover County Schools**	Education	3,645	3.50%
General Electric Nuclear Fuel/Aircraft***	Uranium Enrichment & Nuclear Fuel	2,195	2.11%
University of N. C. (Wilmington)*	Education	1,844	1.77%
New Hanover County**	Government	1,563	1.50%
Pharmaceutical Products Dev.*	Pharmaceuticals	1,464	1.41%
Verizon Wireless*	Telecommunications	1,216	1.17%
Cape Fear Community College*	Education	1,176	1.13%
Corning, Inc.*	Optical Fiber	1,000	0.96%
City of Wilmington *	Government	995	0.96%
Total		21,089	20.25%

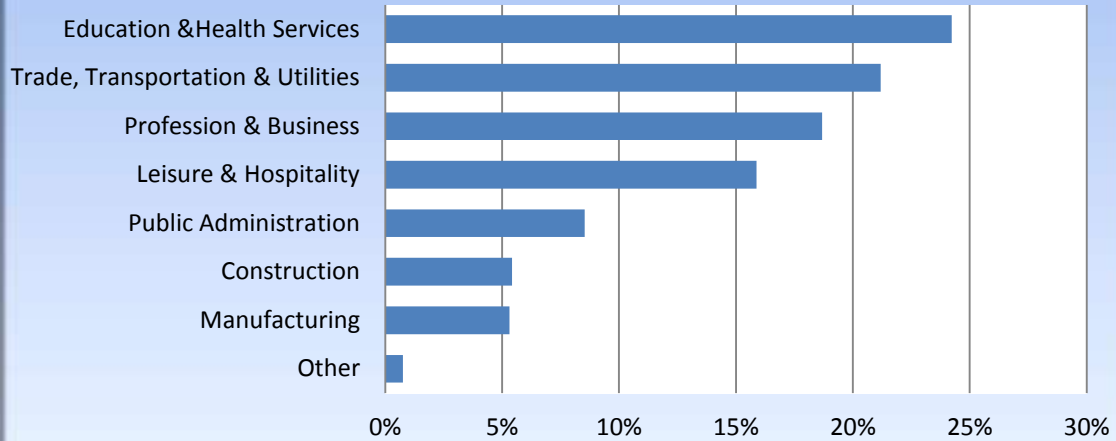
Source: Wilmington Industrial Development

Notes:

- * Located within the City of Wilmington
- ** Located partially in City
- *** Located within New Hanover County

(1) Total employment numbers available from North Carolina Employment Security Commission only on a county basis.

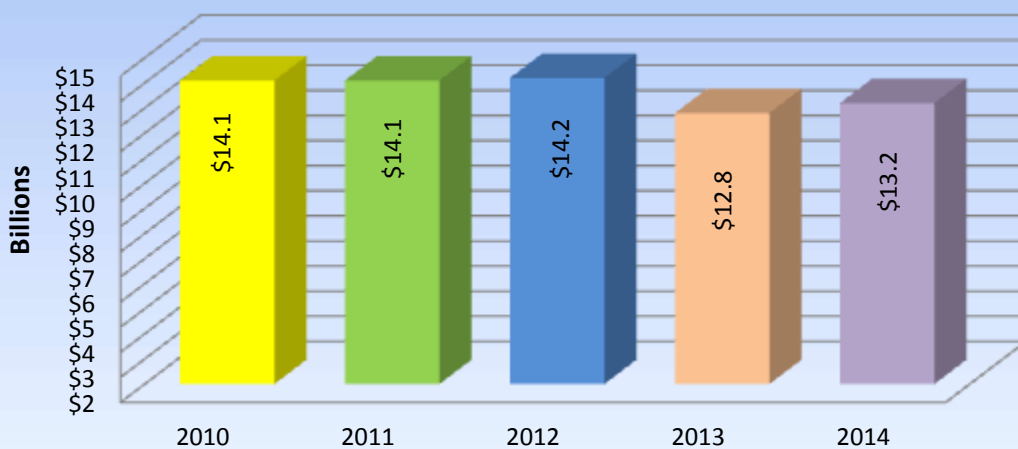
Components of Employment



*Taken from the Employment Security Commission of North Carolina
 **Data is the average for 2013

Local industries are involved in a range of operations from simple assembly to manufacturing processes producing synthetic fibers, fiber optics, nuclear fuel and jet engine components. **Wilmington is home to the Global Headquarters of Pharmaceutical Product Development, Inc., General Electric Nuclear Fuel, Live Oak Bank and Guilford Mills, Inc.**

Five-Year Assessed Values



2013 Revaluation

Manufacturing and Business Services

Corning Inc. operates an optical fiber plant in the City where ClearCurve® fiber cable and ClearCurve® multimode fiber are produced. In 2010, Corning announced the manufacture of Vascade EX2000 optical fiber, aimed for underwater use with links that use repeaters along coastlines or around island chains. Between March and May of 2013, Corning Inc., introduced a new SMF-28 Ultra Optical Fiber, a new Lotus XT Glass and announced the expansion of their Clean-Air Products Facilities. In June 2013, Corning's Pretium EDGE® Solutions was named the Datacentre Facility Product of the Year. In September 2013, Corning celebrated 40 Years of Clean-Air Technologies and also received the Intel Certification for its Thunderbolt Optical Cables.

General Electric's global headquarters for nuclear fuel is located in the County, outside of the City. Based in Wilmington, NC, **GE Hitachi Nuclear Energy (GEH)** is a global nuclear alliance created by GE and Hitachi to serve the global nuclear industry by offering world top quality services of nuclear power plant construction and maintenance. GEH specializes in uranium enrichment technology and is a world-leading provider of advanced reactors and nuclear services. In October 2013, GE Hitachi Nuclear announced the expectation to hire 100 instrumentation and control and electrical engineers through December 2014.

Global Nuclear Fuel Americas (GNF) operates a plant in Wilmington, NC where GNF manufactures light-water nuclear reactor fuel. GNF is powered by three giants; GE Energy, Toshiba and Hitachi. In May 2011, GNF received a \$300 million contract from a Baltimore-based nuclear energy utility company to supply nuclear fuel and licensing services for a nuclear station in central New York. GNF's North Carolina and Japanese facilities coordinated the development of fuel for GEH's ABWR reactor model which is the world's first and only Generation III reactor to enter commercial service. GNF is developing an innovative new fuel design that could easily be one of the most reliable in the world. GNF is celebrating its 10th anniversary and beginning its 2nd decade as a world-leading supplier of high-quality fabricated nuclear fuel and services.

GE Aviation is a global leader in jet engine and aircraft system production. In April 2012, GE Aviation was awarded a \$380 million contract to build GENx engines for nine Boeing 787s being purchased by Kenya Airways. Also in April 2012, GE Aviation received an order from Qantas for over \$2 billion to develop the rotating parts for the engines that will power 78 Airbus aircrafts to be delivered in 2016. In September 2013, Canada's WestJet Airlines ordered 65 next-generation Boeing 737 jets which utilize LEAP engines and is valued at \$1.7 billion. Parts for the LEAP engine are made locally. Also, in September 2013, Delta announced it had selected CFM engines to power 30 Airbus 321 jets, and the CFM engine uses parts that are made locally. In December 2013, Air Canada announced it was buying up to 109 Boeing's next-generation 737 aircraft to be delivered between 2017 and 2021. The LEAP engines are made locally. In September 2014, Ireland's Ryanair signed an agreement with Boeing Co. to buy up to 200 new 737 MAX 200 aircraft and the CFM engine uses parts that are made locally. At the Dubai Air Show in November 2013, GE Aviation received \$26 billion in jet engine orders and services agreements for wide-body Boeing aircraft from three leading airlines in the Middle East. Collectively, Emirates, Qatar Airways and Etihad Airways which use CFM and LEAP engines which are either manufactured or uses parts made locally. In July 2013, GE Aviation announced that it will invest \$195 million across its North Carolina operations through 2017. This investment across GE's North Carolina sites would create an additional 242 GE jobs by 2017. GE Aviation has more than 1,300 employees in North Carolina at sites in Durham, West Jefferson, Wilmington and Asheville.

In June 2014, **Castle Branch, Inc.**, already a major employer in Wilmington, had its grand opening following a \$12 million expansion of its global corporate headquarters in Wilmington. The new 60,000 square-foot facility adds to the existing 36,000 square-foot location making Castle Branch one of the largest corporate headquarters in New Hanover County. Castle Branch, founded in 1997 originally based in Chapel Hill, NC, provides background screening, drug testing, employment verification, vendor credentialing and other services to its growing global client base. The Company's current expansion aims to create 400 new jobs here by the end of 2017. Brett Martin, CEO and founder of Castle Branch, Inc., said that "support from WBD (Wilmington Business Development), the supportive government officials and the proximity to UNC Wilmington are all central factors in the company's selection of Wilmington over other national locations it had considered.

In November 2014, **Vertex Rail Technologies, LLC** announced that it will invest \$60 million to refit the former Terex Crane facility in Wilmington to manufacture technically advanced railroad tank cars. The plant will employ 1300 workers at an average salary of \$40,000. Vortex will spend the next few months refitting the building with the goal of making 1,400 cars in the first year of operation and ramping up to 4,500-5,000 cars a year. In the coming years, the facility is expected to help replace 70,000 obsolete rail cars as new federal specifications are required.

Research and Development

The world headquarters of Pharmaceutical Product Development, Inc. ("PPD") are located in the City's downtown area. PPD is a leading global contract research organization providing discovery, development and post-approval services as well as compound partnering programs for pharmaceutical, biotechnology, medical device, academic and government organizations. In August 2013, PPD announced that it had acquired Acurian, a leading full-service provider of clinical trial patient enrollment and retention solutions for the life sciences industry. PPD was named for the third consecutive year in 2013 to the *Information Week 500 List of Top Technology Innovators*. In 2013, PPD was ranked by clinical research sites globally as the number one company for reputation among all contract research organizations (CROs) in Center Watch's 2013 Global Investigative Site Relationship Survey. In addition, PPD and ePharmaSolutions won the 2013 Microsoft *Life Sciences Innovation Award* for their strategic alliance delivering integrated, portal-based collaboration tools to streamline clinical trial management and study start-up for biopharmaceutical clients. The virtual collaborative environment improving the cost-effectiveness, speed and quality of training for clinical research associates.



In June 2011, PPD was awarded a five-year contract worth up to \$45.5 million to provide global regulatory and bio-statistical services for Army-funded clinical development programs. PPD will ensure the Army complies with regulations in its clinical programs and will provide statistical consulting, study design and statistical analysis support. The Wilmington-based contract research

organization also will support the Army's biodefense, bio preparedness and vaccine development initiatives aimed at protecting military personnel.

In March 2014, PPD was one of five U.S. companies tapped to design and conduct clinical studies with a goal of protecting the U.S. population against bioterrorism, pandemic influenza and other potential health emergencies by the U. S. Department of Health and Human Services. The contract includes a minimum guarantee of \$400,000 over the initial two years which can be extended for up to a total of five years and a maximum of \$100 million.

Wilmington, NC is rapidly growing as a clinical research hub. According to the N.C. Biotechnology Center, the Wilmington area is home to a total of 70 companies such as AAIPharma, Modoc Research, Wilmington Pharmaceuticals and of course PPD in the clinical research cluster. Wilmington has more than 2,700 clinical research professionals and more than 20 CRO's of which 5 are headquartered in Wilmington. These businesses employ around 2,500 people. In addition this area has more than 100 active clinical studies and more than 36 supporting companies, including biostatisticians and medical device companies.

Commercial and Retail

Located on approximately 325 landscaped acres near the intersection of Eastwood Rd and Military Cutoff Roads, **Mayfaire Town Center** is celebrating 10 years of operation.

Approximately 90% of the overall Mayfaire project is complete. The development consists of over 700,000 square feet retail and restaurant space. The total development is estimated at \$400 million. In May 2004, the Town Center portion of the project was opened with more than 386,000 square feet of restaurant and retail space. In September of 2007, Phase II, portions of Phase III and an 80,000 square-foot grocery-anchored retail center were opened, bringing the total to more than



650,000 square feet of retail and restaurant space. A 120-room Hilton Garden Inn opened in 2007 and a 118-room Homewood Suites opened in 2010. A 90,000 square foot professional office building opened in 2006 and has been programmed for future expansion.

The latest construction phase is Mayfaire Community Center Phase II; an additional 77,000 square feet of retail space that will be anchored by Dick's Sporting Goods. Construction of additional office buildings containing both traditional and medical office uses began construction in the Spring of 2012. A 36,300 square foot office building and a 34,300 square foot office building recently opened in 2014. The project also boasts a wide range of residential units, with 84 condominiums in mixed use buildings, 212 free-standing condominiums, more than 100 single family detached housing units in a neo-traditional setting a for-rent apartment component, and over 140 acres of open space.

Construction began in 2007 on a mixed use development known as **Autumn Hall**. The total development is estimated to have a value of \$420 million. The anticipated date of completion for the development is 2018. The original master plan included more than 200 acres and will have a wide range of residential, retail and office development. Residential construction included approximately 274 single family residential lots, 33 town homes, and 110 residential condominiums. Commercial space included 403,000 square feet of retail space, 355,000 square feet of office space, and a 135-room hotel. The development also provided 72 acres of common/open space. Approximately 94 single family home sites and approximately 131,000 square feet of office and commercial use, including Novant, a 40,000 square-foot medical office facility have been constructed. In 2011 a multifamily development consisting of a total of 286 residential units, pool, and open space went under construction and was completed in the Spring of 2013. Carolina Bay @ Autumn Hall, which consists of 51 condominium units, was completed in 2013. Phase II of Carolina Bay @ Autumn Hall, a continuing care retirement community with 122 multi-family units and a 100 bed assisted living facility is currently under construction.

Wilmington-based **Live Oak Bank's** corporate headquarters expansion is underway. Live Oak Bank ranks second in the nation in Small Business Administration 7(a) loans. Live Oak currently occupies a two-story, 34,000 square-foot facility opened in the summer of 2013. The new facility will expand its existing corporate space by 55,140 square feet on a neighboring 10.66-acre parcel within the Tiburon Office Park development. Live Oak Bank plans to add 120 jobs with an average annual wage of \$80,000 to its workforce within the next five years. Additionally, Live Oak Bank was listed number 126 out of the top 200 Healthiest Banks in America by DepositAccounts.com and was one of only three banks from North Carolina that made the 2014 list.

Next Glass, headquartered in Wilmington, was named a top global startup by the Wall Street Journal before an international audience of successful entrepreneurs and venture capitalists in October 2014 at the WSJDLive Conference "where the digital world connects". Next Glass is preparing to launch an app that will allow users to create personalize wine and beer preference profiles. Next Glass has analyzed thousands of wines and beers in lab space at UNCW's MARBIONC facility for the basis of the preference profiles.

A voluntarily annexation was approved in 2009 that brought approximately 1,358 acres into the City limits. The majority of the project, known as "**River Lights**," is zoned R-7(CD), Residential (Conditional District), and will contain a blend of single-family and multi-family residential units. The remaining land, which is zoned MX (Mixed Use) and concentrated along the Cape Fear River, will contain office and retail uses, as well as a marina. The project will provide connectivity to adjacent existing neighborhoods and includes a re-alignment of River Road. The developer will provide off-site traffic improvements including upgrades to Independence Boulevard and River Road. The applicant submitted a development agreement in conjunction with the re-zoning request. The agreement limits the development to a maximum of 2,290 residential dwelling units and also allows flexibility for the developer to transfer density within phases up to 25%. The developer will provide funding or property to the City of Wilmington Fire Department to extend fire protection services and also will dedicate land for public parks and funds for the New Hanover County school system. In March of 2013, the City approved amendments to the development agreement and modifications to the master plan. The modifications will allow the developer to construct a total of 2,790 residential units. In August 2014 the developer submitted plans to relocate River Road to an approximate three mile long road that will serve the property.

In May of 2013, the City Council rezoned a total of approximately 301.9 acres of property from Residential, R-15 and PD, Planned Development to O&I-1 Office and Institutional (CD), RD Regional Business (CD), CB Community Business (CD) and MF-M Multi-family Medium

Density (CD), (Conditional Districts) for mixed use development known as **Gallery Park**. The approved master plan is for 1,570,000 square feet of commercial space, 1,500,000 square feet of professional/medical office space and 1,375 dwelling units. In June 2014, the City received plans to develop approximately 27 acres of the site with 402 multi-family units. It is anticipated to take 20 years to construct Gallery Park.

On June 30, 2014, a 12.64 acre area, known as the **Galleria**, was deannexed from the Town of Wrightsville Beach and annexed into the City by the North Carolina General Assembly, through Session Law 2014-45, effective June 30, 2014. It is anticipated that a mixed use development consisting of residential, commercial, and office uses will be developed on the site.

Tourism

Tourism is the area's largest economic component in terms of employment and revenues. Nearby beaches, the historic river front area, and the USS North Carolina Battleship Memorial are attractions for tourism business. A variety of special events held year-round, such as the Azalea Festival and Riverfest, add to the area's appeal to tourists.

U.S.S. North Carolina (Battleship) is the centerpiece of the Wilmington Riverfront. A majestic symbol of this country's hard-earned naval victories in World War II and is the Memorial to the

10,000 North Carolinians of all the armed services who gave their lives during World War II. Commissioned in 1941, the 45,000-ton warship wields nine 16-inch turreted guns and carries nickel-steel hull armor 16 to 18 inches thick. The Battleship came to its present home in 1961. The public has access to more than nine decks including the crew's quarters, galley, sick bay, gun turrets, engine room, plotting rooms, radio central, the Admiral's Cabin, the bridge and combat central.



The Children's Museum occupies a 17,000 square foot facility, featuring twelve dynamic exhibits, an outdoor courtyard, a secret garden, a gift store and has over 51,000 visitors per year. This hands-on, learning-through-play museum offers something for children of all ages with all interests. Sail the seas as a pirate in Ahoy Wilmington!, climb on the new School Bus, examine your teeth in the ToothaSaurus Pediatric Dental Exhibit, perform examinations as a physician in the Teddy Bear Hospital, experiment in the Science Lab, sing and act in the Star Maker Sound Stage and make a masterpiece in the Art Studio.



The Cameron Art Museum occupies a 40,000 square foot facility on a 9.3 acre woodland park known as Pyramid Park, featuring long-leaf pine woodlands, outdoor sculptures, nature trails, a historic Civil War site and The Clay Studio housed in the Pancoe Art Education Center. The main museum building includes three exhibition areas, the Weyerhaeuser lecture and reception hall, a full service museum café and catering kitchen, a museum gift shop and free parking. The Cameron Art Museum is committed to arts education, and presents exhibitions and public programs of both historical and contemporary significance, with 6 to 8 changing exhibitions annually, in addition to outdoor, site-specific projects on its park property.



Cape Fear Museum established in 1898, is the oldest continuously operating museum of history in North Carolina. The skeleton of a 20 foot-tall Giant Ground Sloth greets visitors to the museum. The entire family can enjoy a miniature recreation of the second battle of Fort Fisher, a scale model of Civil War Wilmington's waterfront and the Michael Jordan Discovery Gallery and an interactive science exhibit for the entire family. Children's activities, concerts, special events and acclaimed touring exhibits help make the Museum one of the primary repositories of local lore with an extensive permanent collection of over 40,000 artifacts.



One of the venues for the screening of films is held at **Thalian Hall**, owned by the City and part of the City Hall since 1856. The City along with private donors funded a renovation that was completed in May 2010. Last year there were over 250 shows, plus events and films for a total of 495 performances, and these programs attracted audiences totaling more than 85,000 people. The events ranged from music to ballet and theatre, from pop, jazz, folk and country music to the finest in domestic, independent and foreign films. The Thalian Hall complex is the site of recitals, awards ceremonies, film festivals, lectures and charity events, and is "home" to a large number of theatre and performing companies, including By Chance Productions, Opera House Theatre, Thalian Association, Willis Richardson Players, Theatre Exchange and Stageworks Youth Theatre. Thalian Hall is an education center, with unique performances and programs attracting more than 10,000 school children each season. Thalian Hall is one of the most heavily utilized facilities of its kind in the nation and is an economic generator stimulating the local economy by more than \$2 million dollars annually.



The **Cucalorus Film Festival** (Cucalorus) is considered one of the region's premier cultural events drawing more than 10,000 visitors and screens over 150 films. The Brooks Institute named the Cucalorus as one of the "Top 10 Film Festivals in the United States" and Movie Maker Magazine included it in a list of the "Top 25 Coolest Film Festivals".

The Wilmington Railroad Museum has a great collection of displays and areas for children, which include, Thomas the Tank Train play area, more than 20 operating scale model trains, spectacular model layouts, a real life-size caboose, a boxcar and a 100-year-old steam locomotive.



The New Hanover County Tourism Development Authority (TDA) was established to expand the tourism industry and to maintain the health of the local economy. Funded in large part by the room occupancy tax discussed herein, the TDA serves as an umbrella organization representing all of the services available to a visitor within the area. The North Carolina Division of Travel and Tourism has estimated that in 2013, travel and tourism generated \$477.68 million. This number represents a 3.8% increase over 2012 revenues. New Hanover County ranks number eight among North Carolina's 100 counties in tourism expenditures.

State and local tax revenues from travel to New Hanover County in 2013 amounted to \$41.84 million. Travel generated \$105.41 million in payroll in 2013 and provided more than 5,400 jobs.

Film Industry

EUE/Screen Gems Studios completed Stage 10 in 2009, one of the largest sound stages in the world, with a 37,500 square-foot movie studio and 3,600 square-foot special effects water tank at an estimated value of \$15 million. It is the latest expansion to the largest film and television lot east of California and has resulted in Wilmington being name "Hollywood East". The filmmaking industry has been an important economic force in the City and the County since the construction of production facilities in 1983 by DEG Inc. Now owned by EUE/Screen Gems Studios, the 50 acre complex has a total of 150,000 square feet of clear-span production space located in ten existing stages ranging in size from 7,200 square feet to 37,500 square feet. The County continues to be one of the most productive and cost effective filmmaking destinations. From 1984 to present, the County has hosted more than 350 feature films, mini-series, "movies of the week," eight television series along with numerous commercials and music videos. Producers continue to utilize the available resources for filmmaking and it is expected that the studio will remain a popular facility in the State. As reported by the Star News in August 2013, for the first time in Hollywood East's history, Wilmington has spawned three No. 1 hits at the box office in one year with the release of "The Conjuring", "Iron Man 3" and "Safe Haven".

On October 27, 2011, EUE/Screen Gems Studios in Wilmington was selected as the host for the production of "Iron Man 3". The Motion Picture Association of America's CEO Chris Dodd and Executive Producers Charles Newirth praised the Wilmington-based men and women who had worked on the film. Mr. Newirth added that more than 700 vendors in 84 communities were tapped by the production while filming North Carolina.

The investment in Stage 10 as well as “the large local crew with experience handling five simultaneous productions” was a major factor. In a May 1, 2013 press release, EUE/Screen Gems Studios used all ten stages of the Wilmington, NC film and television complex in filming “Iron Man 3”. A new digital infrastructure designed for the complex needs of the production is now one of the best in the world and benefits current clients such as Stephen King and Steven Spielberg’s “Under the Dome”.

In addition to 150,000 square feet of column-free space, EUE/Screen Gems also offers production offices with modern communications, construction shops, wardrobe facilities and prop/set decoration warehouses. Film-related tenants on the lot include a law firm specializing in entertainment law, a film bonding company, editors, a sound recording studio and a casting company. EUE/Screen Gems is also one of the largest suppliers of lighting, electric and grip rentals in the Southeast with locations onsite in Wilmington, NC as well as in Atlanta, GA and Charleston, SC.

No single taxpayer comprises more than 1.7% of the total tax base providing further confirmation of the City’s diversity.

Top Ten Taxpayers		
Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Corning Inc.	\$ 220,252,069	1.67 %
River Ventures LLC (PPD)	77,920,600	0.59
Progress Energy (CP&L)	57,510,780	0.44
Centro Independence LLC (mall)	54,078,800	0.41
GS II University Centre LLC	36,458,500	0.28
BellSouth Tel Co.	34,174,091	0.26
Wal Mart	33,015,922	0.25
Mayfaire Retail LLC	32,362,300	0.25
NNP IV Cape Fear River LLC	30,010,200	0.23
Aaipharma Services Corp	28,454,322	0.22
	<u>\$ 604,237,584</u>	<u>4.60 %</u>

Source: New Hanover County Tax Office

HOSPITAL AND MEDICAL FACILITIES

New Hanover Regional Medical Center (NHRMC) is a teaching hospital and regional referral center and the tertiary care center for a seven-county area. NHRMC is one of 10 trauma centers in the state certified at Level II or above and is one of only two cardiac centers of excellence east of Interstate 40. NHRMC is home to the region’s first Level III, Neonatal Intensive Care Unit (NICU), and has a *da Vinci*® Surgical System, which is a state-of-the-art robotic platform for

surgeons. NHRMC continues to expand its services and is southeastern North Carolina's leading health-care provider with over 5,200 employees. NHRMC also creates another 6,000 jobs indirectly. NHRMC's Zimmer Cancer Center has distinction attained by just 25% of the nation's hospitals: certification as a teaching cancer hospital by the Commission on Cancer of the American College of Surgeons. The nine floor inpatient tower was completely renovated and converted to almost all private rooms as of December 2010. A new 186,500 square-foot surgical pavilion on the main campus began taking patients in June 2008 and features 26 operating rooms and 76 recovery rooms. In May 2013, the Port City Daily news reported that NHRMC has become North Carolina's first hospital to earn all three "gold" awards offered by a group focused on the health of hospital employees. NC Prevention Partners recognized NHRMC as having achieved the "highest standard of excellence for comprehensive wellness programs offered to their employees in the areas of physical activity, nutrition and tobacco-free environments". In June 2013, NHRMC proposed a project to open a satellite emergency department and to move one of its existing outpatient offices. Pending approval, the project estimated at \$15 million is expected to be completed by October 2015. According to an NHRMC spokesperson, the plans include construction of a 30,000 square-foot medical facility in northern New Hanover County. The facility would house 10 treatment rooms and one critical care room.



In a September 2013 news release, it was announced that NHRMC, Wilmington Health and Blue Cross Blue Shield North Carolina (BCBSNC) are launching the first Accountable Care Alliance to enhance care and provide greater value for health care consumers in Southeastern North Carolina. The first of its kind in North Carolina, this unique collaboration brings together a leading hospital system, independent multi-specialty clinics and an insurer to better meet the health care needs of patients.

Wilmington Health is the largest private, fully integrated, multi-specialty medical group practice in the area with over 20 locations (including Convenient Care and Urgent Care). Wilmington Health has provided premier healthcare to the residents of Southeastern North Carolina for over 40 years.

BCBSNC is a leader in delivering innovative health care products, services and information to more than 3.74 million members, including approximately 1 million served on behalf of other Blue Plans. BCBSNC was recognized as one of the World's Most Ethical Companies by Ethisphere Institute in 2012 and 2013.

TRANSPORTATION

The Road System

The City is served by Interstate 40, U.S. highways 17, 117, 74, 76 and 421 and by North Carolina Highways 132 and 133. These highways connect the area to the major cities in North Carolina, South Carolina and Virginia.

Ground Based Freight and Mass Transit

Other transportation resources in the City include the CSX Rail Transport Group which provides rail freight service in the area with one scheduled train daily. Local bus service is provided by the Cape Fear Public Transportation Authority, which operates as Wave Transit. The Cape Fear Public Transportation Authority is governed by an eleven-member board with five members appointed by the Wilmington City Council, five members appointed by the County and one member jointly appointed by the City and the County. A private management firm operates a system of ten routes, the UNCW Shuttle service and the historic downtown trolley. The City's operating subsidy to the Wave Transit system is \$1,285,000 for fiscal year ending June 30, 2014. There was no capital subsidy for the current fiscal year. The City's operating subsidy for operations is approximately 15% of the current year's transit budget. There are also approximately 55 trucking companies serving the greater Wilmington area.

The State Port

Since 2012, Logistics Management magazine has named North Carolina's Port of Wilmington in the top 20 on its list of U.S. Ports. The City's location affords industries equal accessibility to major markets to the north and south. The Port of Wilmington, located in the City on the east bank of the Cape Fear River, is one of two deep water harbors in the State. The Port handled 3,633,028 tons of cargo for the fiscal year ended June 30, 2014, a decrease of 31.67% over 2013. During the first quarter of 2015 the Port saw a 2.75% increase over 2014. The Port of Wilmington has ample capacity to support today's cargo volumes and continues to invest in expanding the facility to meet projected growth in international trade, with a major expansion project currently under way. An aggressive capital program has positioned the Port of Wilmington in a new class of service to the maritime transportation industry.



A 42-foot navigational channel offers customers additional vessel capacity. Readily available modern transit and warehouse facilities, new state-of-the-art Panamax container cranes and support equipment, and the latest in cargo management technology provide a broad platform for supporting international trade to the fast-growing Southeast U.S. market. Recent and ongoing improvements to regional and national highway networks make surface transportation supporting the Port of Wilmington superior to neighboring ports. CSX Transportation provides daily service for boxcar, tanker and general cargo services. In June 2013, the NC Council of State approved a proposed 21-year lease with Enviva Holdings for the construction of a \$35 million wood-pellet storage and shipping facility at the Port. Enviva would build two storage domes, a rail car unloading station, ship loader and conveyor system at the Port. The biomass fuel export facility (wood-pellet) would ship as much as 1 million metric tons of pellets a year from forests in southeastern North Carolina starting in January 2015.

Wilmington International Airport

The Wilmington International Airport, a component unit of New Hanover County (the “Airport”) is operated by the New Hanover County Airport Authority. The Airport is the 4th largest in the State. In calendar year 2013, the Airport served 802,744 passengers, an increase of 6,832 or .86% over 2012. In calendar year 2014 through October the Airport saw a decrease of 25,425 passengers or 3.76%. Two commercial airlines; American Airlines/US Airways and Delta provide regular jet and commuter service, offering direct (non-stop) service to four major cities: Atlanta, Charlotte, New York and Philadelphia and one-stop connections to hundreds of destinations both domestic and international. The Airport is a U.S. Customs and Border Protection General Aviation International Clearance Facility. This 13,500 square-foot facility processes commercial and general aviation public passengers entering and exiting the United States.

EDUCATION

The University of North Carolina at Wilmington (UNCW), also located within the City, was founded as Wilmington College in 1947 and designated as the 6th university in the University of North Carolina System (UNC) in 1969. UNCW is the only public university in southeastern North Carolina. Expanding from three buildings in 1961 to more than 90 today, the campus still reflects the Georgian style of architecture that has made the institution one of the most attractive in the State of North Carolina. UNCW manages the nation’s only underwater ocean laboratory, Aquarius, owned by NOAA and located in the Florida Keys National Marine Sanctuary.

UNCW is a comprehensive level I university in the 16-campus University of North Carolina System. It is accredited by the Southern Association of Colleges and Schools and offers 55 bachelor’s degrees in 49 majors, 42 master’s degrees, and 2 Doctoral programs. UNCW is funded with State appropriations and receives federal funds for research and financial aid programs. UNCW had a fall 2014 enrollment of 14,611 full-time-equivalent undergraduate and graduate students.



UNCW has maintained its top 15 ranking as one of the best overall universities in the South, as well as its top 10 ranking as one of the best “public” institutions in the South according to *U.S. News and World Report*. UNCW has been named one of the “Best in the Southeast” on Princeton Review’s “2014 Best Colleges Region by Region” list and also made the list for “Best 297 Business Schools”.

Cape Fear Community College (CFCC) was founded in 1958 and is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools. CFCC's main campus is located in historic downtown Wilmington on the banks of the Cape Fear River. There is also a north campus in north New Hanover County. CFCC is the 6th largest school of the 58 colleges within the North Carolina Department of Community Colleges System. CFCC offers 60 academic programs that lead to a two-year degree, one year diploma or certificate. These programs include college transfer, technical and vocational programs that serves over 28,000 students every year. CFCC's enrollment in credit programs is 9,300 part-time and full-time equivalent students. Over 9,000 students registered for fall 2014 classes. CFCC has 587 full-time employees and employs 600-800 part-time employees at various times throughout the year. CFCC offers hundreds of continuing education courses as well. Free programs include basic skills, adult literacy, GED preparation and job skills to name a few. CFCC's Small Business Center offers free seminars for entrepreneurs and small business as well as free business counseling services. CFCC purchased a research vessel in the CFCC's Marine Technology Program in the fall of 2013 and set off on its inaugural training cruise on September 9, 2013. The research vessel was acquired utilizing state equipment funds, institutional funds and private donations from the CFCC Foundation. Funding for CFCC is provided through the County, State and Federal governments.

CFCC's new Union Station opened August 16, 2013. The Union Station project was the first building funded by the \$164 million bond referendum passed by New Hanover County voters in November 2008. The bond funds are being spent locally to provide more job training opportunities for the community. Union Station is located at the corner of Front and Red Cross Street. The 250,000 square-foot building features more classrooms for general college classes, expanded health care training labs, a simulated operating room and hospital setting to train future health care workers, student services center and a new parking deck. During 2014, construction commenced on the Fine Arts Center which will include a 1,500-seat auditorium.



Union Station

LONG-TERM FINANCIAL PLANNING

The City seeks to consistently maintain a strong financial position as evidenced by its AA+/AAA/Aa1 by Fitch, Standard and Poor's and Moody's respectively. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually the City adopts a 5-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs addressing both project needs and financial strategy. Major areas covered by the CIP are transportation, parks, storm water utility, downtown infrastructure improvements and general public improvements. In Fiscal Year 2013, a five year budget plan was adopted that established a 5 cents property tax set aside which funds 80% debt service and 20% pay-go for the \$41.1 million of new tax-supported projects in the CIP.

A key financial goal of the City for many years has been the maintenance of an unassigned General Fund balance of at least equal to or greater than 15% to 20% of the total annual operating budget of the General Fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. These goals are met in the fiscal year 2014 results that are built into the 2014-2015 operating budgets. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include a debt model, a parking fund model, a cash flow model, rate sensitivity analyses and financing pro formas. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

MAJOR INITIATIVES

Public Facilities

The Wilmington Convention Center (Center) Complex offers a prime new coastal choice to conventions in North Carolina with a view of the Cape Fear River and north end of Wilmington's historic downtown district.

On November 11, 2010, construction was completed by J M Thompson Company and the first event took place on November 13, 2010. The grand opening of the center was January 13, 2011



The Center's operation includes over 107,000 square feet of function space, an adjacent Event Lawn and an attached 578 space Parking Deck. The Center's main service feature is the food & beverage operation; SAVOR...Catering by SMG, which has set the new standard for quality in catering and service in this region

So far through October 2014, the Center has more than 136 events tentatively or definitely booked, including 9 conventions. The annual number of attendees is projected to be 75,200 for 2015.

Convention Center					2014 vs.
Event Types	FYE	FYE	FYE	FYE	2013
	2011 (a)	2012	2013	2014	%
					Growth
Convention/TS/Conference	7	9	8	14	75.00%
Public Shows	11	12	14	16	14.29%
Meetings/Other	19	32	37	25	-32.43%
Banquets	36	60	83	64	-22.89%
TOTALS	73	113	142	119	-16.20%
Attendance	45,616	66,400	80,104	73,423	-8.34%
Total Room Nights	3,068	3,774	5,731	9,128	59.27%
Repeat Users	-	17	77	46	-40.26%

(a) 1st Year of Operation November 2010 - June 30, 2011

Sources: Wilmington Convention Center

In the meetings and banquets and repeat users categories fewer events occurred in FY 2014 due to one or more of the following reasons:

- 1) Seven less Military Banquets booked than the prior year.
- 2) One customer in 2013 held 14 small luncheon events (60 or less people) which impacted the event and repeat customer statistics.
- 3) Date or space not available.
- 4) Lack of a headquarter hotel adjacent to the Convention Center continues to hinder attracting events that want bookings “under one roof”.

In the convention and public shows categories the Convention Center had the highest number booked since opening in FY 2011; and represented 75% and 14% growth respectively. These two factors also impacted the hotel room nights booked and resulted in 59% growth.



Photo courtesy of © Mark Herboth Photography



Significant features are the Center’s dramatic interior design with red cedar walls and ceilings, reminiscent of its historic regional use in boat building. The Center also features enhanced

specialty lighting as well as a maritime themed photo and art display which reflects the historical local imagery and industry from our past that shaped Wilmington's future. The Center's fine business reputation is on the rise in the association industry as a premium choice for conventions and meetings. The Center has earned a number of awards since opening, including the Convention South 2011 New & Renovated Meeting Site Readers Choice Award. The Center is also LEED certified, meaning it is a "green" or environmentally-friendly building.

The initial budget and anticipated cost of the facility was \$56.6 million, including the parking deck and reimbursement for the cost of land. The estimated final cost of the facility is expected to be approximately \$51.8 million.

Water and Sewer Consolidation

In September 2005, a resolution was concurrently approved by the Wilmington City Council and the New Hanover County Commissioners declaring the intention of the two bodies to form a separate authority to consolidate water and sewer operations. In June of 2006, the two bodies created a Water Sewer Advisory Committee to guide the consolidation effort. In May 2007, the Wilmington City Council and the New Hanover County Commissioners each adopted resolutions creating a water and sewer authority to consolidate the water and sewer systems of the City, the County and the New Hanover Water and Sewer District (the "District"). The articles of incorporation for the Cape Fear Public Utility Authority (the "Authority") were approved by the State of North Carolina on July 2, 2007. An interlocal transition and operating agreement was approved by the City, the County and the Authority in January, 2008. This agreement provided for the transfer of the water and sewer assets and liabilities of the City, the County and the District to the Authority. This transfer took place on July 1, 2008.

Private Facilities

The Sidbury - located at 7205, 7215 & 7225 Wrightsville Avenue, was approved for construction in June of 2011. The project consists of three 4-story buildings that include 102 residential units, 15,750 sq ft of retail space and 13,200 square feet of office space. The applicant will use low impact development techniques and utilize underneath building parking areas to minimize impervious surfaces. A request for a special use permit was submitted in October of 2012 to increase the height of one of the buildings from 45 feet to 50 feet. It is anticipated the development will be completed by Spring 2015.

Courtyard by Marriott - a 124-room hotel with a construction cost of \$14 million. This hotel, located at the corner of 2nd and Grace Streets, opened in early 2014. The hotel features meeting spaces as well as a street-level Starbucks and an internal bistro. Thirty permanent positions at the hotel are expected for normal hotel operations.

Amberleigh Shores - a 282-unit multifamily development, was approved by the City in July 2012. This project received its Certificate of Occupancy in 2014 and is currently occupied.

Hotel Indigo - a 10-story, 125-room hotel is currently being reviewed by City staff. This hotel site is located in the central business district and is bounded by Hanover Street, Nutt Street, and North Front Street. The city approved the project in August 2013, but construction has not started.

Fairfield Meridian - located at 4625 Fairview Drive in the Fairfield Park development, consists of 241 high-end multifamily units. This development is currently under review by the City.

Embassy Suites - a 186-room hotel adjacent to the City of Wilmington Convention Center, is currently under review by the City.

Progress 910 - a 204 unit multi-family development with recreational amenities, was approved by the City in December 2013 and is currently under construction.

101 North 3rd Street Office Building: a five-story, 69,908 square-foot professional office building with retail/restaurant space available located at 101 North 3rd Street. The site is zoned CBD, Central Business District. The site is currently under construction.

Sawmill Pointe: a 278-unit residential development located at 1015 Nutt Street, adjacent to and south of the Isabel Holmes Bridge. The site is approximately 11.13 acres in size, is currently vacant, and is zoned CBD, Central Business District. The four-story complex would total approximately 330,000 square feet. The developer also proposes a parking structure with 335 parking spaces that would be hidden by the proposed building on all three sides. Amenities proposed for the development include a swimming pool and access to the existing boat slips constructed by a previous property owner. The developer also plans to provide pedestrian linkage to the River walk and the new city park immediately to the south. The project is currently under review by the city.

The Forks Subdivision is a 133-unit planned unit development residential subdivision approved by City Council on March 5, 2014. The subject property is located on the east side of 17th Street between Museum Drive and George Anderson Drive. The site is zoned R-15, Residential. A total of 133 residential units with 51 single-family detached lots and 82 attached single-family lots. The project is currently under review by the city.

Progress 910 apartments, located off of Randall Parkway is a 168-unit multifamily development with 48, two bedroom units; 48, three bedroom units; and 72, four bedroom units. City Council rezoned the 16-acre subject property from IND, Industrial to MF-M (CD), Multifamily, Medium Density in September 2013. The development is currently under construction, and it is anticipated it will be open by late Summer of 2014.

Fairfield Meridian Multifamily development, located off of Carolina Beach in the Fairfield Park Mixed Use development, is a 240-unit multifamily development with comprising two, three-story buildings and a 4,900 square foot club house, with a swimming pool and other amenities. A total of 136, one bedroom units, 97, two-bedroom units, and 8, three-bedroom units are proposed. Additional phases of the development would include up to 40,000 square feet of commercial/retail use in neighboring buildings. The project is currently under review by the city.

Live Oak Bank Phase II: a 55,140 square-foot professional office and banking development is under construction at 1757 Tiburon Drive. The site is approximately 10.66 acres in size and is adjacent to the corporate headquarters of Live Oak Bank, a 34,000 square-foot office building.

Springhill Suites, a 120-room hotel totaling 66,738 square feet on 1.98 of acres. This project has been approved by the city, but construction has not commenced.

Holiday Inn Express on Grace: a 92-room hotel development located at 225 Grace Street. The site is approximately 0.41 of an acre in size and is located in the Central Business District. Approval is anticipated for the Winter of 2014 with a construction start towards the beginning of 2015.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wilmington for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing achievement with the highest standards in government accounting and financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Wilmington has received a Certificate of Achievement for thirty-one consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. We especially express our appreciation to Ellen Owens, Cristal Jenkins, Alice Johnson, Andrew Savage, Chiemi Glazener, Denise Chambless, Amy White and Katherine Dimopoulos for their efforts and contributions to the preparation of this report and to Jennifer Isbell for the cover design.

Respectfully submitted,



Debra H. Mack
Finance Director



Bryon Dorey
Assistant Finance Director-Treasurer



Stephanie Jacobs
Assistant Finance Director- Controller



Government Finance Officers Association

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Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

FINANCIAL SECTION TAB (FRONT)

FINANCIAL SECTION TAB (BACK)



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Wilmington
Wilmington, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wilmington, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Wilmington's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wilmington, North Carolina, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Funding Progress and Employer Contributions, and the Other Postemployment Benefits' Schedules of Funding Progress and the Employer Contributions on pages 4 through 13 and 102 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilmington's basic financial statements. The combining and individual fund statements, budgetary schedules, other schedules listed in the table of contents, and the Schedule of Expenditures of Federal and State Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act, and the introductory section and statistical tables of the Comprehensive Annual Financial Report (CAFR) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables of the CAFR have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, on our consideration of the City of Wilmington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wilmington's internal control over financial reporting and compliance.

McGladrey LLP

Wilmington, North Carolina
December 11, 2014



W CITY OF
WILMINGTON
NORTH CAROLINA

Management's Discussion and Analysis

As management of the City of Wilmington, we offer readers of the City of Wilmington's financial statements this narrative overview and analysis of the financial activities of the City of Wilmington for the fiscal year ended June 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

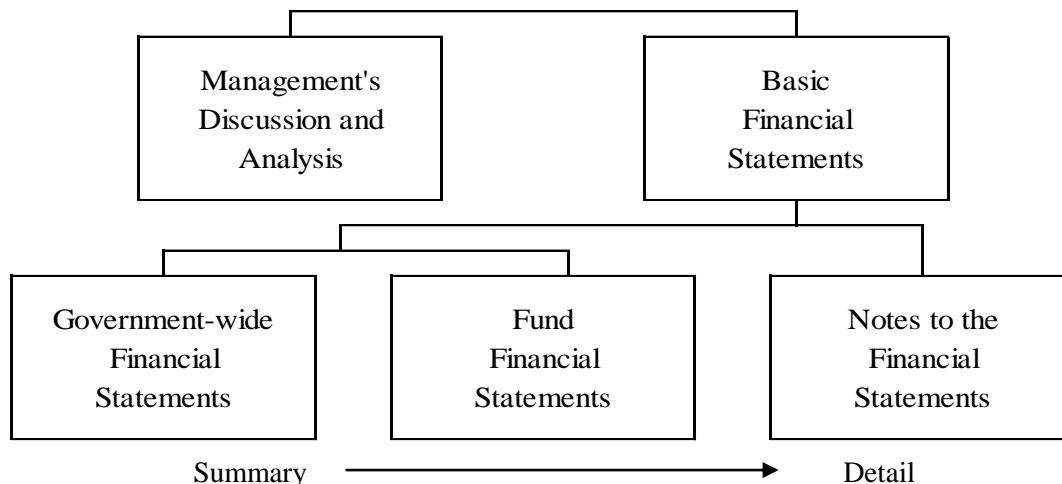
- The assets and deferred outflows of resources of the City of Wilmington exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$334,189,130 (*net position*).
- The government's total net position increased by \$9,777,085. Included in this amount are increases in the net position of governmental activities and business-type activities due to normal operations of \$6,532,988 and \$3,244,097, respectively.
- As of the close of the current fiscal year, the City of Wilmington's governmental funds combined ending fund balances decreased \$5,223,150 from the prior year to a total of \$93,330,252. Approximately 30.2% of this amount, or \$28,148,026, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$31,383,688 or 42.9% of total general fund expenditures and 35.4% of total general fund expenditures including transfers for the fiscal year. This is in compliance with the City's Policy of maintaining an unassigned fund balance of 15-20% of the operating budget.
- The City of Wilmington's total long-term liabilities decreased by \$6,722,772 or 2.8% during the current fiscal year. Total long-term liabilities decreased for governmental activities by \$5,844,921 and \$877,851 for the business-type activities.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. 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 it has changed. Net position is the difference between the total of the City's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to evaluate the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include solid waste services, parking facilities, storm water management, and a golf course operated by the City. The final category is the component unit. Although legally separate from the City, the Cape Fear Public Transportation Authority is important to the City because the Authority is primarily fiscally dependent upon the City.

The government-wide financial statements are on pages 14 - 16 of this report.

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. Financial statements for these funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a 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 Wilmington adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, 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 budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City of Wilmington has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Wilmington uses enterprise funds to account for its golf course operations, solid waste services, storm water management, and operations of the parking facilities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Wilmington. The City uses an internal service fund to account for two activities – equipment maintenance and replacement and personal computer replacement. Because these operations benefit predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for reserves held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government’s own programs, such funds are specifically excluded from the government-wide statements. The City uses fiduciary funds to account for the assets of the Community Housing Development Organization’s net proceeds from the sale of housing, law enforcement seizures and pension and postemployment trust funds, which include the City’s Law Enforcement Officers’ Special Separation Allowance plan and retiree healthcare program.

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 are on pages 40 - 100 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Wilmington’s progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found beginning on page 102 of this report.

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

Government-Wide Financial Analysis

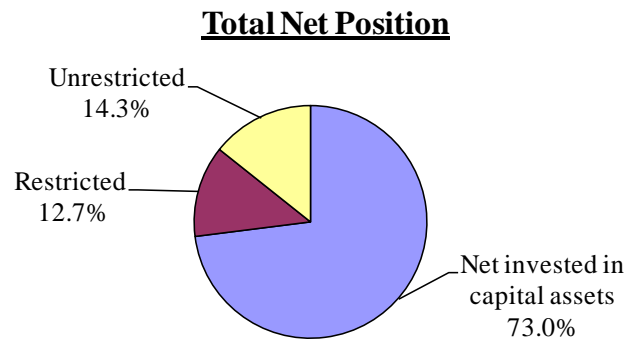
As noted earlier, net position may serve over time as one useful indicator of a government’s financial condition. The assets and deferred outflows of resources of the City of Wilmington exceeded its liabilities and deferred inflows of resources by \$334,189,130 as of June 30, 2014. The City’s net position increased by \$9,777,085 for the fiscal year ended June 30, 2014. A significant portion of the City’s net position 243,969,561 (73.0%) reflects the City’s net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City’s net position, \$42,478,377 (12.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$47,741,192 (14.3%) is unrestricted.

Several particular aspects of the City’s financial operations positively influenced the total unrestricted governmental net position. The following capital investments and transfers were cash funded and therefore reduced the total unrestricted net position as compared to the prior year:

- \$7,573,908 was expended on capital investments: \$3,868,802 on the acquisition of the Northern Riverfront Land and \$3,705,106 on Street Improvements throughout the City.
- \$2,846,136 was transferred to the Business-type Activities of which the most significant were: \$1,775,000 transferred to the Solid Waste Fund for the expenses related to the Ice Storms in February and March 2014; and \$810,182 transferred to the Golf Fund for the expenses related to the Municipal Golf Course greens restoration.

**Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS:						
Current and other assets	\$ 130,562,351	\$ 138,381,980	\$ 23,154,173	\$ 21,164,099	\$ 153,716,524	\$ 159,546,079
Capital assets	<u>373,951,082</u>	<u>365,411,514</u>	<u>51,738,426</u>	<u>50,299,483</u>	<u>425,689,508</u>	<u>415,710,997</u>
Total assets	<u>504,513,433</u>	<u>503,793,494</u>	<u>74,892,599</u>	<u>71,463,582</u>	<u>579,406,032</u>	<u>575,257,076</u>
DEFERRED OUTFLOWS OF RESOURCES						
	<u>916,270</u>	<u>1,249,563</u>	<u>303,923</u>	<u>342,445</u>	<u>1,220,193</u>	<u>1,592,008</u>
LIABILITIES:						
Long-term liabilities	207,566,739	213,411,660	24,471,095	25,348,946	232,037,834	238,760,606
Current and other liabilities	<u>11,997,196</u>	<u>12,255,010</u>	<u>2,398,663</u>	<u>1,374,414</u>	<u>14,395,859</u>	<u>13,629,424</u>
Total liabilities	<u>219,563,935</u>	<u>225,666,670</u>	<u>26,869,758</u>	<u>26,723,360</u>	<u>246,433,693</u>	<u>252,390,030</u>
DEFERRED INFLOWS OF RESOURCES						
	<u>3,402</u>	<u>47,009</u>	-	-	<u>3,402</u>	<u>47,009</u>
NET POSITION:						
Net investment in capital assets	212,542,837	200,558,434	31,426,724	28,826,675	243,969,561	229,385,109
Restricted	40,472,965	35,729,753	2,005,412	2,104,545	42,478,377	37,834,298
Unrestricted	<u>32,846,564</u>	<u>43,041,191</u>	<u>14,894,628</u>	<u>14,151,447</u>	<u>47,741,192</u>	<u>57,192,638</u>
Total net position	<u>\$ 285,862,366</u>	<u>\$ 279,329,378</u>	<u>\$ 48,326,764</u>	<u>\$ 45,082,667</u>	<u>\$ 334,189,130</u>	<u>\$ 324,412,045</u>



Changes in Net Position
Figure 3

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 10,551,139	\$ 9,840,781	\$ 21,253,764	\$ 20,992,896	\$ 31,804,903	\$ 30,833,677
Operating grants and contributions	7,113,819	9,487,283	97,018	161,026	7,210,837	9,648,309
Capital grants and contributions	5,128,944	5,392,585	49,500	137,394	5,178,444	5,529,979
General revenues:						
Property taxes	58,981,967	57,152,307	-	-	58,981,967	57,152,307
Other taxes	29,682,207	27,589,886	-	-	29,682,207	27,589,886
Investment earnings	346,850	342,649	90,641	85,108	437,491	427,757
Net decrease in fair value of investments	-	(429,320)	-	(117,037)	-	(546,357)
Other	2,533,721	2,416,198	224,488	-	2,758,209	2,416,198
Total revenues	114,338,647	111,792,369	21,715,411	21,259,387	136,054,058	133,051,756
Expenses:						
General government	19,631,088	19,005,283	-	-	19,631,088	19,005,283
Public safety	46,131,851	43,916,157	-	-	46,131,851	43,916,157
Transportation	13,850,270	13,431,747	-	-	13,850,270	13,431,747
Economic and physical development	6,196,637	6,045,907	-	-	6,196,637	6,045,907
Culture and recreation	9,465,475	9,398,082	-	-	9,465,475	9,398,082
Transit system	1,285,000	1,296,849	-	-	1,285,000	1,296,849
Interest and other charges	8,399,202	9,008,791	-	-	8,399,202	9,008,791
Solid waste management	-	-	10,433,131	9,576,553	10,433,131	9,576,553
Storm water management	-	-	6,788,592	6,718,269	6,788,592	6,718,269
Parking facilities	-	-	2,802,364	2,695,420	2,802,364	2,695,420
Golf	-	-	1,293,363	1,294,985	1,293,363	1,294,985
Total expenses	104,959,523	102,102,816	21,317,450	20,285,227	126,276,973	122,388,043
Increase in net position before transfers	9,379,124	9,689,553	397,961	974,160	9,777,085	10,663,713
Transfers from (to) other funds	(2,846,136)	(729,380)	2,846,136	729,380	-	-
Increase in net position	6,532,988	8,960,173	3,244,097	1,703,540	9,777,085	10,663,713
Net position at beginning of year as previously stated	279,329,378	272,240,773	45,082,667	43,664,505	324,412,045	315,905,278
Restatement for accounting change (GASB 65)	-	(1,871,568)	-	(285,378)	-	(2,156,946)
Net position at beginning of year as restated	279,329,378	270,369,205	45,082,667	43,379,127	324,412,045	313,748,332
Net position at end of year	\$ 285,862,366	\$ 279,329,378	\$ 48,326,764	\$ 45,082,667	\$ 334,189,130	\$ 324,412,045

Governmental activities. Governmental activities increased the City's net position by \$6,532,988, accounting for 66.8% of the total growth in the net position of the City. Key elements of this increase are as follows:

- The increase in net position before transfers in the prior year were \$9,689,553 compared to this year of \$9,379,124 a reduction of \$310,429.
 - Revenues increased by \$2,546,278 or 2.3% from the prior year. The largest increase was \$1,829,660 in property taxes primarily due to the implementation of the North Carolina Department of Motor Vehicles billing and collecting motor vehicle taxes. This transition resulted in a one-time increase of about four months of additional motor vehicle tax revenues in the current year.
 - Expenses increased by \$2,856,707 or 2.8% over the prior year. The largest increase was \$2,215,694 in Public Safety due primarily to the newly established Police Department Mobile Field Force and the funding of 13 COPs grants officers.
- Transfers from (to) the Business-type Activities in the prior year were \$729,380 compared to this year of \$2,846,136 an increase of \$2,116,756.
 - \$1,775,000 was transferred to the Solid Waste Fund for the expenses related to the Ice Storms in February and March 2014; and \$810,182 was transferred to the Golf Fund for the expenses related to the Municipal Golf Course greens restoration.

Business-type activities. Business-type activities increased the City of Wilmington's net position by \$3,244,097, accounting for 33.2% of the total growth in the City's net position. Key elements of the increase are as follows:

- The increase in net position before transfers in the prior year were \$974,160 compared to this year of \$397,961 a reduction of \$576,199.
 - Revenues increased by \$456,024 or 2.2% from the prior year. The largest increases were in Charges for Services and Other Revenues, \$260,868 and \$224,488 respectively. Storm water charges increased by \$530,253 mainly due to a 5.9% rate increase over the prior year.
 - Expenses increased by \$1,032,223 or 5.1% over the prior year. The largest increase was \$856,578 in Solid Waste mostly attributable to the Ice Storms previously mentioned.
- Transfers from (to) the Governmental Activities in the prior year were \$729,380 compared to this year of \$2,846,136 an increase of \$2,116,756.
 - \$1,775,000 was transferred from the General Fund to the Solid Waste Fund for the expenses related to the Ice Storms in February and March 2014; and \$810,182 was transferred from the Nonmajor Governmental Funds to the Golf Fund for the expenses related to the Municipal Golf Course greens restoration.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City of Wilmington. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$31,383,688, a 7.3% increase over the prior year; while total fund balance was \$46,034,737, a 5.9% increase over the prior year. The City Council has determined that the City should maintain an unassigned fund balance of 15-20% of the operating budget in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the City. The City currently has an unassigned

fund balance of 33.2% of the operating budget, while total fund balance represents 48.8% of the same amount. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (not including transfers). Unassigned fund balance represents 42.9% of total General Fund expenditures, while total fund balance represents 62.9% of that same amount.

At June 30, 2014, the governmental funds of the City of Wilmington reported a combined fund balance of \$93,330,252, a 5.3% decrease (\$5,223,150) from the prior year. The General Fund, Special Purpose Fund, Streets and Sidewalks Fund, Building Improvements Fund, Debt Service Fund, and nonmajor special revenue and capital project funds are included in this combined amount.

The General Fund realized a \$2.6 million increase mainly due to expenditure reductions discussed in the General Fund Budgetary Highlights section. This increase in total fund balance in the governmental funds was offset by the decreases in the Streets and Sidewalks Fund of \$5.2 million due to utilizing cash for these improvements. Additionally, the Debt Service Fund had an increase of \$1.6 million and the total non-major funds had a decrease of \$1.3 million. The Special Purpose Fund's net increase of \$4.0 million was a result of \$6.0 million transferred from the Building Improvements Fund offset by a \$1.5 million decrease mainly due to the operations of the Convention Center.

General Fund Budgetary Highlights. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once more precise information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues (excluding transfers) were above budget estimates by \$3,301,235 for the fiscal year. This increase was mainly due to an increase in sales tax receipts of \$1,084,840, property tax of \$1,159,692 and licenses and permits of \$649,986. As mentioned previously, the implementation of the North Carolina Department of Motor Vehicles billing and collecting motor vehicle taxes resulted in a one-time increase of about four months of additional motor vehicle tax revenues in the current year.

Expenditures (excluding transfers) in the General Fund were \$5,575,341 less than the \$78,606,224 budget. The City experienced prolonged vacancies during the year which resulted in expenditure levels below the authorized budget in salary and wages, medical insurance, supplies, repairs, and workers compensation.

Proprietary Funds. The City of Wilmington's proprietary funds provide the same type of information found in the business-type activities of the government-wide statements but in more detail. The major enterprise funds are the Solid Waste Management Fund, Storm Water Management Fund and Parking Facilities Fund. Unrestricted net position of the Solid Waste Management Fund, Storm Water Management Fund and the Parking Facilities Fund at the end of the fiscal year amounted to \$2,495,775, \$7,776,939, and 3,633,159, respectively. The unrestricted net position of the Golf nonmajor proprietary fund totaled \$988,755.

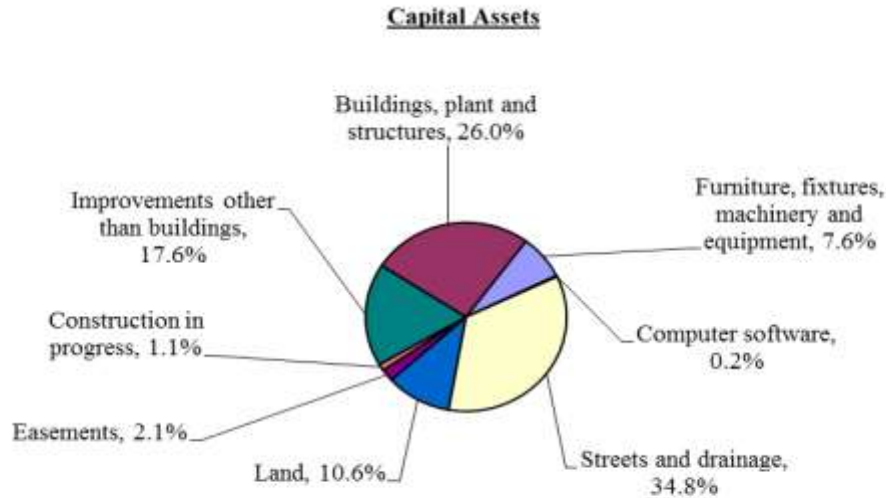
Capital Asset and Debt Administration

Capital assets. The City of Wilmington's investment in capital assets for its governmental and business-type activities as of June 30, 2014 was \$425,689,508 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, right-of-ways and easements, park facilities, machinery and equipment, vehicles and software.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- The largest changes in governmental activity capital assets (see Figure 4) was the completion of the Randall Parkway widening and various Streets, Sidewalks and Pedestrian improvements which was responsible for \$9,812,073 of the increase in Streets and Drainage; purchase of the Northern Riverfront Land for \$3,868,802 and the completion of Riverwalk North Marina and acceptance of the Barx Stadium PPD Miracle Field was responsible for \$4,296,397 of Improvements other than Buildings.

- An increase of \$1,202,579 in construction in progress for business-type activities represented the largest increase and was primarily comprised of Storm Water drainage improvements and the Municipal Golf Course greens restoration. Additionally, Storm Water drainage improvements accounted for \$681,137 of the increase in Improvements other than Buildings and various Parking Deck improvements accounted for \$522,269 of the increase in Buildings and Structures.



**Capital Assets
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 56,270,424	\$ 52,165,022	\$ 7,656,179	\$ 7,488,544	\$ 63,926,603	\$ 59,653,566
Easements	11,561,815	11,006,966	898,659	719,955	12,460,474	11,726,921
Construction in progress	3,883,611	8,196,426	3,032,816	1,830,237	6,916,427	10,026,663
Total non-depreciable assets	<u>71,715,850</u>	<u>71,368,414</u>	<u>11,587,654</u>	<u>10,038,736</u>	<u>83,303,504</u>	<u>81,407,150</u>
Improvements other than buildings	55,567,095	49,334,668	49,832,638	49,151,501	105,399,733	98,486,169
Buildings, plant and structures	140,630,145	140,112,139	15,462,421	14,835,851	156,092,566	154,947,990
Furniture, fixtures, machinery and equipment	44,447,100	42,809,903	1,264,475	1,109,769	45,711,575	43,919,672
Computer software	1,385,714	1,246,078	-	-	1,385,714	1,246,078
Streets and drainage	209,541,631	197,759,983	-	-	209,541,631	197,759,983
Total assets being depreciated	451,571,685	431,262,771	66,559,534	65,097,121	518,131,219	496,359,892
Accumulated depreciation	<u>(149,336,453)</u>	<u>(137,219,671)</u>	<u>(26,408,762)</u>	<u>(24,836,374)</u>	<u>(175,745,215)</u>	<u>(162,056,045)</u>
Total capital assets being depreciated, net	<u>302,235,232</u>	<u>294,043,100</u>	<u>40,150,772</u>	<u>40,260,747</u>	<u>342,386,004</u>	<u>334,303,847</u>
Total capital assets, net	<u>\$ 373,951,082</u>	<u>\$ 365,411,514</u>	<u>\$ 51,738,426</u>	<u>\$ 50,299,483</u>	<u>\$ 425,689,508</u>	<u>\$ 415,710,997</u>

Additional information on the City's capital assets can be found in note 3 on pages 61 - 63 of this report.

Long-term Debt. As of June 30, 2014, the City of Wilmington had total bonded debt outstanding of \$38,420,000. Of this amount, \$27,240,000 is general obligation debt backed by the full faith and credit of the City. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) of the storm water system.

In prior years, general obligation bonds that were issued for water and sewer system improvements were repaid from revenues of the water and sewer fund. In connection with the creation of the CFPUA, the general obligation bond annual debt service requirements of the former water and sewer fund continue to be obligations of the City and are reimbursed to the City by the CFPUA. General obligation bonds outstanding at June 30, 2014 of the former water and sewer fund are \$2,355,000.

**General Obligation and Revenue Bonds
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 27,240,000	\$ 28,990,000	\$ -	\$ -	\$ 27,240,000	\$ 28,990,000
Revenue bonds	-	-	11,180,000	11,680,000	11,180,000	11,680,000
Total	\$ 27,240,000	\$ 28,990,000	\$ 11,180,000	\$ 11,680,000	\$ 38,420,000	\$ 40,670,000

The City of Wilmington's total bonded debt decreased by \$2,250,000 during the past fiscal year. At June 30, 2014, the general obligation debt was rated AA+/AAA/Aa1 by Fitch, Standard and Poor's, and Moody's respectively. The revenue bonds of the Storm Water Fund have been rated AA/A1 by Standard and Poor's, and Moody's respectively. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt limit for the City of Wilmington is \$867,212,815.

The City's total debt decreased by \$11,153,875 (5.3%) during the past fiscal year, primarily due to principal retirements in general obligation, revenue bonds, installment obligations and other long-term obligations. These retirements were offset by the issuance of \$3,050,000 of Taxable General Obligation Bonds for the extension of the Northern Riverwalk.

**Total Debt Outstanding
Figure 6**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 27,240,000	\$ 28,990,000	\$ -	\$ -	\$ 27,240,000	\$ 28,990,000
Revenue bonds	-	-	11,180,000	11,680,000	11,180,000	11,680,000
Installment Obligations	138,353,000	145,715,500	6,077,000	6,509,500	144,430,000	152,225,000
Other Long term obligations	13,806,634	14,559,692	3,010,000	3,365,817	16,816,634	17,925,509
Total	\$ 179,399,634	\$ 189,265,192	\$ 20,267,000	\$ 21,555,317	\$ 199,666,634	\$ 210,820,509

Additional information on the City of Wilmington's long-term debt can be found in note 3 on pages 77 - 89 of this report.

In prior years, Certificates of Participation were issued to purchase two private water systems and were repaid from revenues of the ground water fund. In connection with the transfer of assets and liabilities of the City to the Cape Fear Public Utility Authority (CFPUA) on July 1, 2008, installment obligation annual debt service requirements of the former ground water fund continue to be obligations of the City and are reimbursed to the City by the CFPUA. Installment obligations outstanding at June 30, 2014 of the former groundwater fund are \$12,640,000.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the conservative growth projections:

- The City of Wilmington's unemployment rate of 5.7% at June 30, 2014 was below the State average of 6.5% and the national average of 6.3%.
- Increases in construction were evident as the building permits valued at \$383,322,485 in fiscal year 2014 were \$29,242,489 or 8.3% more than the permitted values in fiscal year 2013.
- Sales tax receipts (county-wide) ended the year up by 4.5% over the prior fiscal year and the City of Wilmington's distribution saw a 10.3% increase which was affected by changes in projected property levies that affect the distribution method selected by New Hanover County. Due to conservative projections and changes in projected property levies that affect the distribution method a 7.1% increase was projected for 2015.

All of these factors were included in preparing the City of Wilmington's budget for the 2015 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2015

Governmental Activities. The budget includes a tax rate of 46 cents per \$100 of assessed valuation. Of this rate, 41 cents per \$100 valuation was adopted for the General Fund operations and 5 cents per \$100 valuation was earmarked for an 80/20 Debt/Pay-Go Capital Debt Plan and is restricted in the Debt Service Fund. Sales tax revenue was budgeted 7% higher or approximately \$1.3 million over the previous year's budget. The FY 2015 budget appropriates \$610,000 of fund balance for economic development incentives, a matching contribution with New Hanover County to the Cape Fear Public Transportation Authority and a contribution to the Cape Fear Community College for the rehabilitation of the Schwartz Center. The budgeted expenditures, excluding transfers, in the General Fund are expected to increase by \$3.1 million from the adopted 2013-14 General Fund budget or 4% to \$80,270,057. This increase includes funding for the newly established Gang Investigative Unit in the Police Department, second-year funding of the multi-year employee compensation plan, Community Service program initiatives for reducing teen violence and two new positions in the Information Technology Department in response to technology challenges facing the City.

Business-type Activities. Storm water rates increased by 5.9% to \$6.83 per month per residence and Solid Waste collection fees increased 6% to \$26.29 per 90 gallon cart weekly pick up. Parking fees were also increased for monthly unreserved spaces in the Second Street and Market Street decks, as well as hourly rates in the Convention Center and Water Street decks. The Parking budget also includes capital expenses of \$650,700 for replacement of the elevator and various repairs in the Second Street parking deck. Golf course rates were also increased to offset the restoration and replacement of the greens as well as improvements to the fairway bunkers and the practice putting green.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Wilmington, 305 Chestnut Street, 5th Floor, Wilmington, N.C. 28401. You can also call 910-341-7822, visit our website www.wilmingtonnc.gov or send an email to finance@wilmingtonnc.gov.

BASIC FINANCIAL STATEMENTS



W CITY OF
WILMINGTON
NORTH CAROLINA

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Net Position

June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents/investments	\$ 66,014,386	\$ 19,407,205	\$ 85,421,591	\$ 155,689
Taxes receivable, net	940,066	-	940,066	-
Accounts receivable, net	1,499,863	2,655,924	4,155,787	26,470
Other receivables	599,862	14,526	614,388	-
Internal balances	130,000	(130,000)	-	-
Due from component unit	612,300	-	612,300	-
Due from other governments	12,451,603	388,322	12,839,925	2,294,145
Inventories	697,337	126,061	823,398	126,074
Assets held for resale	39,414	-	39,414	-
Notes receivable	17,525,644	-	17,525,644	-
Prepays	1,529,853	166,453	1,696,306	-
Restricted assets:				
Cash and cash equivalents/investments	10,221,180	-	10,221,180	-
Other receivables	1,882	-	1,882	-
Due from other governments	3,029,461	525,682	3,555,143	-
Due from management company	274,500	-	274,500	-
Long-term receivables:				
Due within one year	3,365,000	-	3,365,000	-
Due in more than one year	11,630,000	-	11,630,000	-
Capital assets:				
Land, easements and construction in progress	71,715,850	11,587,654	83,303,504	8,521,480
Other capital assets, net of accumulated depreciation	302,235,232	40,150,772	342,386,004	6,465,129
Total assets	<u>504,513,433</u>	<u>74,892,599</u>	<u>579,406,032</u>	<u>17,588,987</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>916,270</u>	<u>303,923</u>	<u>1,220,193</u>	<u>-</u>
LIABILITIES				
Accounts payable	2,549,003	1,053,266	3,602,269	2,293,224
Due to other governments	1,704,642	-	1,704,642	-
Due to primary government	-	-	-	612,300
Accrued liabilities	6,342,516	680,205	7,022,721	48,958
Customer and escrow deposits	657,882	119,105	776,987	-
Unearned revenues	-	59,371	59,371	-
Derivative instrument - interest rate swap	93,242	-	93,242	-
Restricted liabilities:				
Accounts payable	563,865	486,716	1,050,581	-
Accrued liabilities	66,046	-	66,046	-
Unearned revenues	20,000	-	20,000	-
Long-term liabilities:				
Due within one year	16,502,870	1,648,568	18,151,438	151,489
Due in more than one year	191,063,869	22,822,527	213,886,396	-
Total liabilities	<u>219,563,935</u>	<u>26,869,758</u>	<u>246,433,693</u>	<u>3,105,971</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,402</u>	<u>-</u>	<u>3,402</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	212,542,837	31,426,724	243,969,561	14,735,971
Restricted for:				
Stabilization by State statute	11,435,444	-	11,435,444	-
Community development housing loans	17,937,674	-	17,937,674	-
Convention center facility	9,405,347	-	9,405,347	-
Capital projects	-	2,005,412	2,005,412	-
Public safety	1,284,826	-	1,284,826	-
Transportation	66,507	-	66,507	-
Economic and physical development	280,265	-	280,265	-
Cultural and recreational	62,902	-	62,902	-
Unrestricted (deficiency)	32,846,564	14,894,628	47,741,192	(252,955)
Net position	<u>\$ 285,862,366</u>	<u>\$ 48,326,764</u>	<u>\$ 334,189,130</u>	<u>\$ 14,483,016</u>

See notes to financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 19,631,088	\$ 3,961,251	\$ 31,846	\$ 38,700
Public safety	46,131,851	1,078,557	967,474	90,755
Transportation	13,850,270	1,469,697	3,492,725	3,335,577
Economic and physical development	6,196,637	3,252,606	1,370,437	-
Environmental protection	-	11,886	-	-
Cultural and recreational	9,465,475	777,142	-	1,663,912
Transit system	1,285,000	-	-	-
Interest and other charges	8,399,202	-	1,251,337	-
Total governmental activities	<u>104,959,523</u>	<u>10,551,139</u>	<u>7,113,819</u>	<u>5,128,944</u>
Business-type activities:				
Solid waste management	10,433,131	8,433,430	97,018	-
Storm water management	6,788,592	8,810,446	-	49,500
Parking facilities	2,802,364	3,156,906	-	-
Golf	1,293,363	852,982	-	-
Total business-type activities	<u>21,317,450</u>	<u>21,253,764</u>	<u>97,018</u>	<u>49,500</u>
Total primary government	<u>\$ 126,276,973</u>	<u>\$ 31,804,903</u>	<u>\$ 7,210,837</u>	<u>\$ 5,178,444</u>
Component unit	<u>\$ 8,916,736</u>	<u>\$ 2,522,353</u>	<u>\$ 3,922,022</u>	<u>\$ 4,820,681</u>

General revenues:

- Ad valorem taxes
- Room occupancy tax
- Grants and contributions not restricted to specific programs
- Operating subsidy from primary government
- Operating subsidy from other governments
- Local option sales tax
- Franchise tax
- Video programming sales tax
- Rental vehicle tax
- Investment earnings
- Miscellaneous

Total general revenues not including transfers

Transfers from (to) other funds

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

Net (Expenses) Revenues and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (15,599,291)	\$ -	\$ (15,599,291)	\$ -
(43,995,065)	-	(43,995,065)	-
(5,552,271)	-	(5,552,271)	-
(1,573,594)	-	(1,573,594)	-
11,886	-	11,886	-
(7,024,421)	-	(7,024,421)	-
(1,285,000)	-	(1,285,000)	-
(7,147,865)	-	(7,147,865)	-
<u>(82,165,621)</u>	<u>-</u>	<u>(82,165,621)</u>	<u>-</u>
-	(1,902,683)	(1,902,683)	-
-	2,071,354	2,071,354	-
-	354,542	354,542	-
-	(440,381)	(440,381)	-
-	82,832	82,832	-
<u>(82,165,621)</u>	<u>82,832</u>	<u>(82,082,789)</u>	<u>-</u>
-	-	-	2,348,320
58,981,967	-	58,981,967	-
2,771,391	-	2,771,391	-
1,943,781	-	1,943,781	-
-	-	-	1,285,000
-	-	-	273,000
19,168,840	-	19,168,840	-
6,120,923	-	6,120,923	-
1,397,010	-	1,397,010	-
224,043	-	224,043	-
346,850	90,641	437,491	52
589,940	224,488	814,428	91,785
<u>91,544,745</u>	<u>315,129</u>	<u>91,859,874</u>	<u>1,649,837</u>
(2,846,136)	2,846,136	-	-
<u>88,698,609</u>	<u>3,161,265</u>	<u>91,859,874</u>	<u>1,649,837</u>
<u>6,532,988</u>	<u>3,244,097</u>	<u>9,777,085</u>	<u>3,998,157</u>
<u>279,329,378</u>	<u>45,082,667</u>	<u>324,412,045</u>	<u>10,484,859</u>
<u>\$ 285,862,366</u>	<u>\$ 48,326,764</u>	<u>\$ 334,189,130</u>	<u>\$ 14,483,016</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Balance Sheet -
Governmental Funds**

June 30, 2014

	General Fund	Special Purpose Fund	Streets and Sidewalks Fund
ASSETS			
Cash and cash equivalents/investments	\$ 41,802,016	\$ 336,458	\$ 2,700,774
Taxes receivable, net	814,565	-	-
Accounts receivable, net	1,499,001	-	-
Other receivables	591,147	56	1,019
Due from other funds	331,767	-	-
Advances to other funds	104,000	-	-
Due from component unit	400,000	-	-
Due from other governments	9,545,329	639,049	1,755,137
Assets held for resale	-	-	-
Notes receivable	232,620	98,467	-
Inventories	543,394	-	-
Prepays	1,019,241	7,012	-
Restricted assets:			
Cash and cash equivalents/investments	-	9,701,971	256,995
Other receivables	-	1,876	-
Due from management company	-	274,500	-
Due from other governments	-	662,076	-
Total assets	<u>\$ 56,883,080</u>	<u>\$ 11,721,465</u>	<u>\$ 4,713,925</u>
LIABILITIES			
Accounts payable	\$ 1,001,801	\$ 33,191	\$ 868,759
Due to other funds	-	-	-
Due to other governments	1,704,642	-	-
Accrued liabilities	5,260,818	-	-
Customer and escrow deposits	362,008	-	-
Restricted liabilities:			
Accounts payable	-	235,459	196,510
Accrued liabilities	-	66,046	-
Unearned revenue	-	20,000	-
Total liabilities	<u>8,329,269</u>	<u>354,696</u>	<u>1,065,269</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,519,074</u>	<u>-</u>	<u>-</u>

Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 2,833,005	\$ 7,966,735	\$ 2,151,730	\$ 57,790,718
-	125,501	-	940,066
862	-	-	1,499,863
1,023	2,877	760	596,882
-	-	-	331,767
-	-	-	104,000
-	-	-	400,000
2,924	58,236	430,578	12,431,253
-	-	39,414	39,414
-	-	17,194,557	17,525,644
-	-	-	543,394
-	-	9,879	1,036,132
245,712	1,267	15,235	10,221,180
-	-	6	1,882
-	-	-	274,500
-	-	2,367,385	3,029,461
<u>\$ 3,083,526</u>	<u>\$ 8,154,616</u>	<u>\$ 22,209,544</u>	<u>\$ 106,766,156</u>
\$ 90,385	\$ 61,538	\$ 107,442	\$ 2,163,116
-	-	305,767	305,767
-	-	-	1,704,642
-	-	26,259	5,287,077
-	-	295,874	657,882
-	-	131,896	563,865
-	-	-	66,046
-	-	-	20,000
<u>90,385</u>	<u>61,538</u>	<u>867,238</u>	<u>10,768,395</u>
<u>862</u>	<u>125,879</u>	<u>21,694</u>	<u>2,667,509</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

June 30, 2014

	General Fund	Special Purpose Fund	Streets and Sidewalks Fund
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Non Spendable:			
Inventories	\$ 543,394	\$ -	\$ -
Prepays	1,019,241	7,012	-
Restricted:			
Stabilization by State statute	11,435,444	-	5,790,030
Community development loans	-	98,467	-
Convention center	-	9,405,347	-
Capital projects	-	-	60,485
Debt service	-	-	-
Public safety	-	1,185,939	-
Transportation	-	6,022	-
Economic and physical development	-	280,265	-
Cultural and recreational	-	62,902	-
Committed:			
Capital projects	-	-	-
Debt service	-	-	-
Public safety	-	54,578	-
Transportation	-	188,465	-
Economic and physical development	-	77,355	-
Cultural and recreational	42,970	417	-
Assigned:			
Self-insurance	1,000,000	-	-
Subsequent year's expenditures	610,000	-	-
Unassigned (deficit)	31,383,688	-	(2,201,859)
Unassigned (deficit), reported in:			
Nonmajor special revenue funds	-	-	-
Nonmajor capital projects funds	-	-	-
Total fund balances	<u>46,034,737</u>	<u>11,366,769</u>	<u>3,648,656</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 56,883,080</u>	<u>\$ 11,721,465</u>	<u>\$ 4,713,925</u>

Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 543,394
-	-	9,879	1,036,132
431,449	65,113	4,283,714	22,005,750
-	-	17,839,207	17,937,674
-	-	-	9,405,347
245,712	-	-	306,197
-	1,267	-	1,267
-	-	98,887	1,284,826
-	-	-	6,022
-	-	-	280,265
-	-	-	62,902
2,315,118	-	122,728	2,437,846
-	7,900,819	-	7,900,819
-	-	-	54,578
-	-	-	188,465
-	-	-	77,355
-	-	-	43,387
-	-	-	1,000,000
-	-	-	610,000
-	-	-	29,181,829
-	-	(955,152)	(955,152)
-	-	(78,651)	(78,651)
<u>2,992,279</u>	<u>7,967,199</u>	<u>21,320,612</u>	<u>93,330,252</u>
<u>\$ 3,083,526</u>	<u>\$ 8,154,616</u>	<u>\$ 22,209,544</u>	<u>\$ 106,766,156</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

June 30, 2014

Total fund balances - governmental funds	\$ 93,330,252
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	370,373,901
Long-term receivables are not available to pay for current expenditures and, therefore, are not reported in the governmental funds.	14,995,000
Internal services funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	11,804,062
Liabilities for unavailable revenues considered deferred inflows of resources in fund statements.	2,664,107
Long-term liabilities including bonds payable and accrued interest thereon, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(207,304,956)</u>
Net position - governmental activities	<u>\$ 285,862,366</u>

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CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

	General Fund	Special Purpose Fund	Streets and Sidewalks Fund
Revenues:			
Ad valorem taxes	\$ 52,847,570	\$ -	\$ -
Room occupancy tax	-	2,771,391	-
Other taxes	26,910,816	-	-
Unrestricted intergovernmental	1,771,881	-	-
Restricted intergovernmental	3,136,051	1,585,764	1,613,968
Licenses and permits	3,092,735	-	-
Sales and services	2,517,366	2,877,191	-
Fines and forfeits	253,712	-	-
Investment earnings	181,472	35,252	18,414
Donations	-	13,533	27,634
Miscellaneous	387,680	936,795	-
Total revenues	<u>91,099,283</u>	<u>8,219,926</u>	<u>1,660,016</u>
Expenditures:			
Current:			
General government	16,952,584	-	-
Public safety	41,055,658	770,171	-
Transportation	7,212,392	1,982,578	7,914,497
Economic and physical development	92,734	3,853,311	-
Cultural and recreational	6,598,293	66,528	2,743,097
Transit system	1,285,000	-	-
Debt service:			
Principal retirement	-	1,490,000	-
Interest and other charges	-	2,741,879	-
Total expenditures	<u>73,196,661</u>	<u>10,904,467</u>	<u>10,657,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,902,622</u>	<u>(2,684,541)</u>	<u>(8,997,578)</u>
Other financing sources (uses):			
Transfers from other funds	148,912	6,837,451	1,950,785
Transfers to other funds	(15,493,145)	(131,372)	(1,285,023)
Issuance of bonds	-	-	3,050,000
Premium on bonds	-	-	59,359
Total other financing sources (uses)	<u>(15,344,233)</u>	<u>6,706,079</u>	<u>3,775,121</u>
Net change in fund balances	2,558,389	4,021,538	(5,222,457)
Fund balances at beginning of year	43,457,091	7,345,231	8,871,113
Change in reserve for inventories	19,257	-	-
Fund balances at end of year	<u>\$ 46,034,737</u>	<u>\$ 11,366,769</u>	<u>\$ 3,648,656</u>

Building Improvements Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ 6,555,551	\$ -	\$ 59,403,121
-	-	-	2,771,391
-	-	-	26,910,816
-	-	-	1,771,881
-	5,116,337	1,610,144	13,062,264
-	-	-	3,092,735
-	-	-	5,394,557
-	-	-	253,712
51,201	40,018	11,586	337,943
-	-	33,106	74,273
<u>88,870</u>	<u>-</u>	<u>97,411</u>	<u>1,510,756</u>
<u>140,071</u>	<u>11,711,906</u>	<u>1,752,247</u>	<u>114,583,449</u>
4,787,177	-	94,334	21,834,095
194,972	-	361,360	42,382,161
-	-	-	17,109,467
-	-	759,137	4,705,182
-	-	1,076,627	10,484,545
-	-	-	1,285,000
-	11,425,558	-	12,915,558
<u>-</u>	<u>6,151,192</u>	<u>-</u>	<u>8,893,071</u>
<u>4,982,149</u>	<u>17,576,750</u>	<u>2,291,458</u>	<u>119,609,079</u>
<u>(4,842,078)</u>	<u>(5,864,844)</u>	<u>(539,211)</u>	<u>(5,025,630)</u>
4,156,200	9,334,832	665,096	23,093,276
(6,157,003)	(1,901,707)	(1,451,162)	(26,419,412)
-	-	-	3,050,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>59,359</u>
<u>(2,000,803)</u>	<u>7,433,125</u>	<u>(786,066)</u>	<u>(216,777)</u>
(6,842,881)	1,568,281	(1,325,277)	(5,242,407)
9,835,160	6,398,918	22,645,889	98,553,402
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,257</u>
<u>\$ 2,992,279</u>	<u>\$ 7,967,199</u>	<u>\$ 21,320,612</u>	<u>\$ 93,330,252</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$ (5,242,407)
Amounts reported for governmental activities in the statement of activities are different because:	
Change in fund balance due to change in reserve for inventory	19,257
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, including amounts for donations and disposals.	7,967,015
Some revenues in the statement of activities, including tax and other receipts do not provide current financial resources and are therefore not reported as revenues in the funds.	(161,412)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,391,349
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.	(4,149,777)
Internal service funds are used by management to charge the costs of equipment and personal computer replacement to individual funds. The net revenue of these activities are reported with governmental activities.	2,016,495
This amount represents the difference in funds contributed to the special separation allowance for law enforcement officers below the actuarially determined annual pension cost for the current year.	<u>(307,532)</u>
Change in net position - governmental activities	<u>\$ 6,532,988</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem tax	\$ 51,519,475	\$ 51,687,878	\$ 52,847,570	\$ 1,159,692
Local option sales tax	18,084,000	18,084,000	19,168,840	1,084,840
Franchise tax	6,464,780	6,464,780	6,120,923	(343,857)
Video programming tax	1,511,855	1,511,855	1,397,010	(114,845)
Rental vehicle tax	170,000	170,000	224,043	54,043
Unrestricted intergovernmental	1,412,090	1,412,090	1,771,881	359,791
Restricted intergovernmental	3,036,760	3,036,760	3,136,051	99,291
Licenses and permits	2,442,749	2,442,749	3,092,735	649,986
Sales and services	2,614,043	2,622,004	2,517,366	(104,638)
Fines and forfeits	118,700	118,700	253,712	135,012
Interest earnings	69,032	69,032	181,472	112,440
Miscellaneous	135,750	178,200	387,680	209,480
Total revenues	<u>87,579,234</u>	<u>87,798,048</u>	<u>91,099,283</u>	<u>3,301,235</u>
Expenditures:				
General Government	13,430,929	12,988,766	10,988,733	2,000,033
Public Safety	42,160,688	42,867,803	41,055,658	1,812,145
Transportation	14,107,891	14,193,842	13,103,199	1,090,643
Cultural and Recreational	7,153,722	7,270,813	6,598,293	672,520
Transit System	1,285,000	1,285,000	1,285,000	-
Total expenditures	<u>78,138,230</u>	<u>78,606,224</u>	<u>73,030,883</u>	<u>5,575,341</u>
Excess of revenues over expenditures	<u>9,441,004</u>	<u>9,191,824</u>	<u>18,068,400</u>	<u>8,876,576</u>
Other financing sources (uses):				
Transfers from other funds	-	148,912	148,912	-
Transfers to other funds	(10,728,484)	(15,788,109)	(15,658,923)	129,186
Appropriated fund balance	1,287,480	6,447,373	-	(6,447,373)
Total other financing uses	<u>(9,441,004)</u>	<u>(9,191,824)</u>	<u>(15,510,011)</u>	<u>(6,318,187)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,558,389	<u>\$ 2,558,389</u>
Fund balance at beginning of year			43,457,091	
Change in reserve for inventories			19,257	
Fund balance at end of year			<u>\$ 46,034,737</u>	
A portion of a legally budgeted CDBG/HOME Grant and Administration Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund			165,778	
General government expenditures			(73,044)	
Economic and physical development expenditures			(92,734)	
Fund balance at beginning of year			-	
Fund balance at end of year			<u>\$ 46,034,737</u>	

CITY OF WILMINGTON, NORTH CAROLINA

**Statement of Net Position -
Proprietary Funds**

June 30, 2014

	Enterprise Funds		
	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,565,961	\$ 10,403,580	\$ 3,986,064
Accounts receivable:			
Customers, net	1,484,406	1,167,160	4,358
Other receivables	1,297	11,262	1,440
Due from component unit	-	-	-
Due from other governments	213,592	169,483	1,683
Inventory of materials and supplies	-	80,728	-
Prepays	56,785	96,259	-
Restricted assets:			
Due from other governments	-	-	-
Total current assets	5,322,041	11,928,472	3,993,545
Noncurrent assets:			
Capital assets:			
Land	-	1,023,671	6,523,115
Easements	-	898,659	-
Improvements other than buildings	-	49,040,863	-
Buildings, plant and structures	-	1,306,931	13,670,142
Furniture, fixtures, machinery and equipment	37,628	404,543	445,504
Construction in progress	-	2,256,311	11,476
Less accumulated depreciation	(19,720)	(17,678,799)	(7,471,513)
Total capital assets, net of accumulated depreciation	17,908	37,252,179	13,178,724
Total assets	5,339,949	49,180,651	17,172,269
DEFERRED OUTFLOWS OF RESOURCES	-	-	303,923

Nonmajor Golf Fund	Total	Internal Service Funds
\$ 1,451,600	\$ 19,407,205	\$ 8,223,668
-	2,655,924	-
527	14,526	2,980
-	-	212,300
3,564	388,322	20,350
45,333	126,061	153,943
13,409	166,453	350,627
<u>525,682</u>	<u>525,682</u>	<u>-</u>
<u>2,040,115</u>	<u>23,284,173</u>	<u>8,963,868</u>
109,393	7,656,179	-
-	898,659	-
791,775	49,832,638	-
485,348	15,462,421	-
376,800	1,264,475	21,584,406
765,029	3,032,816	46,865
<u>(1,238,730)</u>	<u>(26,408,762)</u>	<u>(18,054,090)</u>
<u>1,289,615</u>	<u>51,738,426</u>	<u>3,577,181</u>
<u>3,329,730</u>	<u>75,022,599</u>	<u>12,541,049</u>
<u>-</u>	<u>303,923</u>	<u>-</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

June 30, 2014

	Enterprise Funds		
	<u>Solid Waste Management Fund</u>	<u>Storm Water Management Fund</u>	<u>Parking Facilities Fund</u>
LIABILITIES			
Current liabilities:			
Accounts payable:			
Trade	\$ 258,608	\$ 50,480	\$ 148,952
Contracts and retainage	-	425,575	122,296
Accrued liabilities:			
Personnel costs	314,711	223,456	6,241
Interest	811	47,565	40,572
Current portion of long-term liabilities:			
Due to other funds	-	-	-
Bonds payable	-	520,000	-
Installment obligations	-	75,000	344,500
Other long-term obligations	190,000	-	166,667
Accrued vacation and sick leave	149,688	159,891	6,681
Customer and escrow deposits	-	119,105	-
Unearned revenues	-	-	-
Contracts and retainage payable from restricted assets	-	-	-
Total current liabilities	<u>913,818</u>	<u>1,621,072</u>	<u>835,909</u>
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities:			
Advances from other funds	-	-	-
Bonds payable	-	11,065,240	-
Installment obligations	-	782,202	5,578,683
Other long-term obligations	570,000	-	2,083,333
Accrued vacation and sick leave	69,114	73,825	1,869
Accrued other postemployment benefits	<u>1,273,334</u>	<u>1,046,224</u>	<u>33,775</u>
Total noncurrent liabilities	<u>1,912,448</u>	<u>12,967,491</u>	<u>7,697,660</u>
Total liabilities	<u>2,826,266</u>	<u>14,588,563</u>	<u>8,533,569</u>
NET POSITION			
Net investment in capital assets	17,908	24,809,737	5,309,464
Restricted for:			
Capital projects	-	2,005,412	-
Unrestricted	<u>2,495,775</u>	<u>7,776,939</u>	<u>3,633,159</u>
Net Position	<u>\$ 2,513,683</u>	<u>\$ 34,592,088</u>	<u>\$ 8,942,623</u>

Nonmajor Golf Fund	Total	Internal Service Funds
\$ 47,355	\$ 505,395	\$ 385,887
-	547,871	-
46,849	591,257	62,592
-	88,948	-
26,000	26,000	-
-	520,000	-
-	419,500	-
-	356,667	-
36,141	352,401	62,191
-	119,105	-
59,371	59,371	-
<u>486,716</u>	<u>486,716</u>	<u>-</u>
<u>702,432</u>	<u>4,073,231</u>	<u>510,670</u>
104,000	104,000	-
-	11,065,240	-
-	6,360,885	-
-	2,653,333	-
50,803	195,611	8,045
<u>194,125</u>	<u>2,547,458</u>	<u>218,272</u>
<u>348,928</u>	<u>22,926,527</u>	<u>226,317</u>
<u>1,051,360</u>	<u>26,999,758</u>	<u>736,987</u>
1,289,615	31,426,724	3,577,181
-	2,005,412	-
<u>988,755</u>	<u>14,894,628</u>	<u>8,226,881</u>
<u>\$ 2,278,370</u>	<u>\$ 48,326,764</u>	<u>\$ 11,804,062</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

	Enterprise Funds		
	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
Operating revenues:			
Charges for services	\$ 8,433,430	\$ 8,810,446	\$ 3,156,906
Other operating revenues	148,771	70,723	-
Total operating revenues	<u>8,582,201</u>	<u>8,881,169</u>	<u>3,156,906</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	3,974,460	3,096,669	115,109
Materials and fuels consumed	620,067	447,204	1,702
Landfill disposal fees	3,355,719	-	-
Services	1,040,525	768,703	1,394,906
Utilities	12,017	37,149	60,253
Depreciation	3,732	830,985	690,487
Amortization	-	2,294	-
Other operating expenses	1,415,263	1,040,238	254,574
Total operating expenses	<u>10,421,783</u>	<u>6,223,242</u>	<u>2,517,031</u>
Operating income (loss)	<u>(1,839,582)</u>	<u>2,657,927</u>	<u>639,875</u>
Nonoperating revenues (expenses):			
Investment earnings	19,665	44,427	17,782
Restricted intergovernmental	97,018	-	-
Interest and other charges	(11,348)	(469,501)	(285,333)
Gain (loss) on disposal of capital assets, net	-	(95,849)	-
Total nonoperating revenues (expenses)	<u>105,335</u>	<u>(520,923)</u>	<u>(267,551)</u>
Income (loss) before capital contributions and transfers	<u>(1,734,247)</u>	<u>2,137,004</u>	<u>372,324</u>
Capital contributions	-	49,500	-
Transfers from other funds	1,775,000	-	260,954
Transfers to other funds	-	-	-
Change in net position	<u>40,753</u>	<u>2,186,504</u>	<u>633,278</u>
Net position at beginning of year	<u>2,472,930</u>	<u>32,405,584</u>	<u>8,309,345</u>
Net position at end of year	<u>\$ 2,513,683</u>	<u>\$ 34,592,088</u>	<u>\$ 8,942,623</u>

Nonmajor Golf Fund	Total	Internal Service Funds
\$ 852,982	\$ 21,253,764	\$ 5,521,283
4,994	224,488	36,509
<u>857,976</u>	<u>21,478,252</u>	<u>5,557,792</u>
667,120	7,853,358	834,254
243,313	1,312,286	15,523
-	3,355,719	-
32,757	3,236,891	1,079,482
33,940	143,359	5,106
48,922	1,574,126	1,186,591
-	2,294	-
<u>267,311</u>	<u>2,977,386</u>	<u>928,761</u>
<u>1,293,363</u>	<u>20,455,419</u>	<u>4,049,717</u>
<u>(435,387)</u>	<u>1,022,833</u>	<u>1,508,075</u>
8,767	90,641	31,357
-	97,018	-
-	(766,182)	-
-	(95,849)	14,716
<u>8,767</u>	<u>(674,372)</u>	<u>46,073</u>
(426,620)	348,461	1,554,148
-	49,500	14,462
810,182	2,846,136	480,000
-	-	(32,115)
<u>383,562</u>	<u>3,244,097</u>	<u>2,016,495</u>
<u>1,894,808</u>	<u>45,082,667</u>	<u>9,787,567</u>
<u>\$ 2,278,370</u>	<u>\$ 48,326,764</u>	<u>\$ 11,804,062</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Statement of Cash Flows -
Proprietary Funds**

Year Ended June 30, 2014

	Enterprise Funds		
	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
	<u> </u>	<u> </u>	<u> </u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 8,526,315	\$ 6,833,664	\$ 3,155,223
Receipts from interfund services provided	36,705	2,031,600	-
Payments to suppliers	(5,409,194)	(1,662,800)	(1,593,163)
Payments to or on behalf of employees	(3,717,953)	(2,901,697)	(124,803)
Payments for interfund services used	<u>(994,660)</u>	<u>(663,525)</u>	<u>(10,317)</u>
Net cash provided by (used in) operating activities	<u>(1,558,787)</u>	<u>3,637,242</u>	<u>1,426,940</u>
Cash flows from noncapital and related financing activities:			
Advances from other funds	-	-	-
Transfers from other funds	1,775,000	-	260,954
Restricted Intergovernmental	<u>97,018</u>	<u>-</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>1,872,018</u>	<u>-</u>	<u>260,954</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(21,911)	(1,435,810)	(385,823)
Principal payments on bonds	-	(500,000)	-
Principal payments on installment obligations	-	(75,000)	(357,500)
Principal payments on other long-term obligations	(189,150)	-	(166,667)
Interest and other charges	(10,669)	(490,710)	(341,593)
Proceeds from sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(221,730)</u>	<u>(2,501,520)</u>	<u>(1,251,583)</u>
Cash flows from investing activities:			
Investment earnings	<u>20,916</u>	<u>47,438</u>	<u>18,914</u>
Net increase (decrease) in cash and cash equivalents	112,417	1,183,160	455,225
Cash and cash equivalents at beginning of year	<u>3,453,544</u>	<u>9,220,420</u>	<u>3,530,839</u>
Cash and cash equivalents at end of year	<u>\$ 3,565,961</u>	<u>\$ 10,403,580</u>	<u>\$ 3,986,064</u>

Nonmajor Golf Fund	Total	Internal Service Funds
\$ 323,710	\$ 18,838,912	\$ 253,858
-	2,068,305	5,314,905
(552,797)	(9,217,954)	(2,199,971)
(597,145)	(7,341,598)	(750,592)
<u>(20,636)</u>	<u>(1,689,138)</u>	<u>(9,555)</u>
<u>(846,868)</u>	<u>2,658,527</u>	<u>2,608,645</u>
130,000	130,000	-
810,182	2,846,136	480,000
<u>-</u>	<u>97,018</u>	<u>-</u>
<u>940,182</u>	<u>3,073,154</u>	<u>480,000</u>
(286,426)	(2,129,970)	(1,679,773)
-	(500,000)	-
-	(432,500)	-
-	(355,817)	-
-	(842,972)	-
<u>-</u>	<u>-</u>	<u>14,716</u>
<u>(286,426)</u>	<u>(4,261,259)</u>	<u>(1,665,057)</u>
<u>9,437</u>	<u>96,705</u>	<u>33,319</u>
(183,675)	1,567,127	1,456,907
<u>1,635,275</u>	<u>17,840,078</u>	<u>6,766,761</u>
<u>\$ 1,451,600</u>	<u>\$ 19,407,205</u>	<u>\$ 8,223,668</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Statement of Cash Flows -
Proprietary Funds (Continued)**

Year Ended June 30, 2014

	Enterprise Funds		
	Solid Waste Management Fund	Storm Water Management Fund	Parking Facilities Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,839,582)	\$ 2,657,927	\$ 639,875
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,732	833,279	690,487
Changes in assets and liabilities:			
Accounts receivable	(19,181)	17,249	-
Due from component unit	-	-	-
Due from other governments	-	(33,154)	(1,683)
Inventory of materials and supplies	-	240	-
Prepays	6,104	5,295	-
Accounts payable and accrued liabilities	19,353	(27,591)	105,910
Accrued vacation and sick leave	20,145	4,278	1,749
Accrued other postemployment benefits	250,642	179,719	(9,398)
Unearned revenues	-	-	-
Net cash provided by (used in) operating activities	\$ (1,558,787)	\$ 3,637,242	\$ 1,426,940
Noncash investing, capital and financing activities:			
Capital assets acquired on account	\$ (8,376)	\$ 320,268	\$ 122,097
Disposal of capital assets	-	(97,062)	(12,739)
Capital contributions from other governments	-	49,500	-
Capital contributions from governmental funds	-	-	-
Donation of capital assets to governmental funds	-	-	-
Net effect of noncash activities	\$ (8,376)	\$ 272,706	\$ 109,358

Nonmajor Golf Fund	Total	Internal Service Funds
\$ (435,387)	\$ 1,022,833	\$ 1,508,075
48,922	1,576,420	1,186,591
-	(1,932)	-
-	-	16,169
(529,246)	(564,083)	(5,198)
(7,990)	(7,750)	(1,037)
1,061	12,460	(334,553)
17,000	114,672	173,673
12,803	38,975	4,533
50,989	471,952	60,392
(5,020)	(5,020)	-
<u>\$ (846,868)</u>	<u>\$ 2,658,527</u>	<u>\$ 2,608,645</u>
\$ 484,093	\$ 918,082	\$ 97,024
-	(109,801)	-
-	49,500	7,050
-	-	7,412
-	-	(32,115)
<u>\$ 484,093</u>	<u>\$ 857,781</u>	<u>\$ 79,371</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

June 30, 2014

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 851,606	\$ 443,534
Investments:		
North Carolina Capital Management Trust, Cash Portfolio	349,524	-
North Carolina Capital Management Trust, Term Portfolio	69,159	18,736
U.S. Government Agencies	205,347	55,630
Other receivables	<u>406</u>	<u>110</u>
Total assets	<u>1,476,042</u>	<u>518,010</u>
LIABILITIES		
Accounts payable	675	-
Escrow funds and deposits	<u>-</u>	<u>518,010</u>
Total liabilities	<u>675</u>	<u>518,010</u>
NET POSITION		
Restricted for pension and other postemployment benefits	<u>\$ 1,475,367</u>	<u>\$ -</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 1,555,269
Plan members	<u>338,335</u>
Total contributions	1,893,604
Investment earnings	<u>5,650</u>
Total additions	<u>1,899,254</u>
Deductions:	
Benefit payments	1,757,723
Administrative expense	<u>156,015</u>
Total deductions	<u>1,913,738</u>
Change in net position	(14,484)
Net position at beginning of year	<u>1,489,851</u>
Net position at end of year	<u>\$ 1,475,367</u>

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CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wilmington, North Carolina (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The City of Wilmington is a municipal corporation, incorporated in 1739, located in the southeastern corner of North Carolina with a population of 111,773. The City has a Council-Manager form of government with a seven-member council, which includes an elected mayor. As required by generally accepted accounting principles, these financial statements present the City and its component units, legally separate entities for which the City is financially accountable.

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units is combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. One component unit has no financial transactions or account balances and, therefore, does not appear in the financial statements. Each blended and discretely presented component unit has a June 30 year-end.

BLENDED COMPONENT UNIT

Wilmington Future, Inc.

Wilmington Future, Inc. (the Corporation), a North Carolina nonprofit corporation, exists to issue tax-exempt obligations pursuant to the Internal Revenue Code of 1986, as amended. The Corporation is governed by a three-member Board of Directors and may, by Board action, dismiss members and appoint up to four additional members. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Corporation does not issue separate financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Cape Fear Public Transportation Authority

The Cape Fear Public Transportation Authority (Authority), operating as Wave Transit, is a public authority created in 2005 by a concurrent resolution of New Hanover County (County) and the City. The interlocal agreement adopted by the County and City provides for the operation of transportation facilities and transportation services throughout the City and up to 30 miles outside its corporate limits and effectively merged the transportation facilities and services provided by the County and the City. The interlocal agreement between the County and the City, with an initial effective term of two years beginning July 1, 2004, may be terminated upon six months written notice to the other party. Unless notice of termination is provided, the agreement shall be automatically renewed for successive five year terms. The current agreement is in effect through June 30, 2016.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. REPORTING ENTITY (continued)

DISCRETELY PRESENTED COMPONENT UNIT (continued)

Cape Fear Public Transportation Authority (continued)

The Authority is governed by an eleven member board. The Authority board consists of five members appointed by the County, five members appointed by the City and one member appointed jointly by the County and City from a human service agency served by public transportation services.

Each proposed annual budget shall be submitted to the County and City for approval by the County Commissioners and City Council. The County and City provide annual funding to the Authority as their budgets permit. Any debt necessary for the maintenance, improvement or expansion of the Authority will be incurred by the County or City for the benefit of the Authority. The Authority establishes and revises, from time-to-time, schedules of rates, fees and charges for the use of the services of the Authority. An interlocal agreement between the City and the Authority, effective July 1, 2005 and as amended May 15, 2013, provides that the City will (a) make available to the Authority on July 1 of each fiscal year the annual appropriation approved in the adopted City budget, and (b) allow the Authority access to additional necessary operating funds in an amount not to exceed \$400,000, less any additional operating funds provided by the County in excess of the County's annual appropriation for public transportation, as an advance on awarded federal and/or State operating funds that the Authority has not received. Advances shall be repaid the earlier of June 30 of each year or 120 days following the advance. In the event the Authority does not repay the advance, the City will withhold the outstanding balance from its annual appropriation. The agreement may be terminated by the mutual written consent of the parties or upon the lack of an award or termination of federal and/or State funding to the Authority. For financial reporting purposes, in conformity with GASB Codification Section 2100, the Authority is a component unit of the City and is included as such in the City's comprehensive annual financial report, as the Authority is fiscally dependent on the City.

The Authority's complete financial statements for the year ended June 30, 2014 may be obtained at their administrative offices:

Cape Fear Public Transportation Authority
Forden Station
505 Cando Street
Wilmington, N.C. 28405

B. BASIS OF PRESENTATION

Government-wide Statements. The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

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

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

The City reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction and parks and recreation. Additionally, the City has legally adopted a CDBG/Home Grant and Loan Administration Fund. Under GASB 54 guidance, the CDBG/Home Grant and Loan Administration Fund is consolidated in the General Fund. The budgetary comparison for the CDBG/Home Grant and Loan Administration Fund has been included in the supplemental information.

Special Purpose Fund. This fund accounts for and reports the proceeds of a local room occupancy tax that is restricted by State statute for the operation of the convention center; proceeds of the red-light camera program; federal forfeiture funds; North Carolina drug tax funds; and grants received from federal, state and local governments including the Department of Justice, Department of Homeland Security, Department of Transportation, Environmental Protection Agency, and the Department of Environment and Natural Resources. Additionally, the City has legally adopted a Convention Center Fund. Under GASB 54 guidance, the Convention Center Fund is consolidated in the Special Purpose Fund. The budgetary comparison for the Convention Center Fund has been included in the supplemental information. The City also maintains a UDAG Loan Fund for which a budget is not adopted in accordance with State law [G.S. 159-13(a)(3)] as this fund is established to account for monies held by the City as a common law trustee. Under GASB 54 guidance, the UDAG Loan Fund is consolidated in the Special Purpose Fund.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Streets and Sidewalks Fund. Although the Streets and Sidewalks Fund does not meet criteria to be a major fund, the City has determined that the fund is qualitatively material to the users of the financial statements. This fund accounts for resources used for the acquisition, construction, repair and maintenance of streets and sidewalks within the City of Wilmington.

Building Improvements Fund. Although the Building Improvements Fund does not meet criteria to be a major fund, the City has determined that the fund is qualitatively material to the users of the financial statements. This fund accounts for resources used for the acquisition, renovation and construction of major capital improvements, other than those financed by proprietary funds.

Debt Service Fund. The Debt Service Fund accumulates resources to pay maturing principal and interest on general obligation bonds, certain installment obligations and other long-term obligations issued for governmental capital projects and equipment purchases as well as certain other long-term obligations issued for the acquisition of the Water Street parking deck and accounted for in the Parking Facilities Fund, a business-type activity. Additionally, this fund passes through and accumulates resources pursuant to the Council adopted Five Year Capital Improvement Plan. In accordance with this plan, resources earmarked for the pay-as-you-go portion, or 20%, of the projected costs of certain capital projects are passed through to the related capital project funds while resources are accumulated to pay related debt service on the remaining 80% of the projected costs.

Maturing principal and interest on obligations issued to fund the construction of the Wilmington Convention Center are serviced by the Convention Center Fund. Obligations issued for solid waste disposal, storm water management and parking facilities, plus related debt service, are recorded in the respective enterprise funds. On July 1, 2008, the assets and liabilities of the City's water, ground water and sewer operations were transferred to the Cape Fear Public Utility Authority (CFPUA). Certain general obligation bonds and installment obligations previously issued for the benefit of these enterprise operations were not assigned to the CFPUA and remained obligations of the City serviced by the debt service fund utilizing payments received from the CFPUA for this purpose. Debt service payments are reimbursed to the Debt Service Fund by the CFPUA.

The City reports the following major enterprise funds:

Solid Waste Management Fund. The Solid Waste Management Fund accounts for the provision of refuse collection and disposal services by the City.

Storm Water Management Fund. The Storm Water Management Fund accounts for storm water drainage services.

Parking Facilities Fund. The Parking Facilities Fund accounts for the operation of the City's parking facilities and the on-street parking program.

Additionally, the City reports the following fund types:

Internal Service Funds. The City's Internal Service Funds account for fleet management services and replacement of personal computers to other departments of the City on a cost reimbursement basis.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Pension Trust Funds. The City maintains two Pension Trust Funds- the Law Enforcement Officers' Pension Trust Fund and the Other Postemployment Benefits Trust Fund. Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans or other postemployment benefit plans. The City's Law Enforcement Officers' Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, defined benefit, public safety employee retirement system. The City has evaluated this arrangement and determined that the requirements of GASB No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25" are not applicable. The Other Postemployment Benefits Trust Fund accounts for the City's contributions for healthcare coverage provided to qualified retirees.

Agency Funds. The City maintains two Agency Funds- the CHDO Proceeds Fund and the Law Enforcement Seizure Fund. Agency funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets the City holds on behalf of others. The City's CHDO Proceeds Fund accounts for the Community Housing Development Organization's net proceeds from the sale of housing developed for first-time homebuyers. The Law Enforcement Seizure Fund accounts for confiscated monies held by the City pending court disposition.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 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. Certain intergovernmental revenues and sales and services such as recreation fees are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. BUDGETARY DATA

Budgets for the City and the Authority are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Debt Service Fund, CDBG/Home Administration Fund, enterprise funds and the Authority. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for capital projects funds, including the enterprise capital projects funds which are consolidated with the enterprise operating funds for reporting purposes. Additionally, project ordinances are adopted for special revenue funds, excluding the CDBG/Home Administration Fund as noted previously. Budgets are not adopted for special revenue loan funds and the Firemen's Relief Fund in accordance with State law [G.S. 159-13(a)(3)] as these funds are established to account for monies held by the City as a common law trustee. The City's internal service funds operate under financial plans that were adopted by the City Council at the time the City's budget ordinance was approved, as is required by North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY DATA (continued)

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and the Community Development, the Home Investment Partnership and the Convention Center multi-year funds; at the fund level for all capital projects multi-year funds and the Authority; and at the grant level for the Special Purpose multi-year fund. Amendments are required for any revisions that alter total expenditures of any fund.

All amendments must be approved by City Council. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY

DEPOSITS AND INVESTMENTS

All deposits of the City and the Authority are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City and the Authority may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City and the Authority 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 and the Authority 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 with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

CASH AND CASH EQUIVALENTS

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income; however, the City maintains separate investments of proceeds of bond issues and other financings. All cash and investment types, short-term and longer-term fixed income investments are essentially managed as demand deposits and are therefore considered to be cash and cash equivalents.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

RESTRICTED ASSETS

Unspent donations are classified as restricted assets because they are restricted to the capital projects for which the funds were collected. Unexpended proceeds of the City's general obligation bonds, certificates of participation, limited obligation bonds and other long-term obligations are classified as restricted assets because their use is limited by bond covenants, bond indentures and other financing agreements to the purpose for which the debt was originally issued. Certain receivables from New Hanover County for unexpended proceeds of park development bonds issued by the County on behalf of the City are classified as restricted assets. The unexpended portion of occupancy tax collected is classified as restricted as these funds are restricted by State statute. Interest earnings on occupancy tax collected is considered restricted by the City as well as related accrued interest. Certain receivables from New Hanover County for occupancy tax collected by the County on behalf of the City but not remitted are classified as restricted assets. A portion of the occupancy tax collected has been advanced to the management company of the Wilmington Convention Center and is classified as restricted assets.

Cash and cash equivalents/investments are restricted in the accompanying statements as follows:

	Debt Service Fund	Special Purpose Fund	Streets and Sidewalks Fund	Building Improvements Fund	Nonmajor Governmental Funds	Governmental Activities
Room occupancy tax proceeds and related interest earnings	\$ -	\$ 4,088,407	\$ -	\$ -	\$ -	\$ 4,088,407
Unspent debt proceeds and related interest earnings	-	4,473,433	196,510	245,712	-	4,915,655
Interest earnings on debt service escrow accounts	1,267	3	-	-	-	1,270
Unspent donations	-	-	60,485	-	-	60,485
Federal forfeiture funds	-	1,140,128	-	-	-	1,140,128
Firemen's relief funds	-	-	-	-	15,235	15,235
	<u>\$ 1,267</u>	<u>\$ 9,701,971</u>	<u>\$ 256,995</u>	<u>\$ 245,712</u>	<u>\$ 15,235</u>	<u>\$ 10,221,180</u>

AD VALOREM TAXES RECEIVABLE

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013. For collection purposes, taxes receivable are written off at the end of ten years in accordance with North Carolina General Statutes.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

ALLOWANCES FOR DOUBTFUL ACCOUNTS

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the aging of account balances.

INVENTORIES AND PREPAID ITEMS

Inventories are maintained for major items used by the governmental funds, proprietary funds and the Authority in their operations. They are valued at cost (first-in, first-out) in the governmental funds and at the lower of cost (first-in, first-out) or market in the proprietary funds. Disbursements for inventory-type items in the General Fund are considered to be expenditures at the time of purchase. For the General Fund, inventory is offset by nonspendable fund balance.

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

CAPITAL ASSETS

Capital assets are reported in the government-wide financial statements and proprietary fund financial statements in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Capital assets are defined by the City as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, right-of-ways and easements \$10,000; furniture, equipment and computer software \$5,000; buildings and improvements, plant structures \$25,000; infrastructure and certain improvements other than buildings \$100,000. Infrastructure includes streets and drainage systems. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets and those acquired by annexation are recorded at their estimated fair value at the date of donation or effective date of annexation. General infrastructure assets acquired prior to July 1, 2002 consist of streets and related right of way that were acquired or received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Intangible assets consist of computer software, costs incurred during the application/development stage of internally generated software and right-of-ways and easements acquired subsequent to July 1, 2010. Those right-of-ways and easements acquired subsequent to July 1, 1980 and, prior to July 1, 2010, have been reported as part of the capital asset land value. The City's right-of-ways and easements have been determined to have indefinite life.

The City follows the policy of capitalizing interest as a component of the cost of proprietary fund type capital assets constructed for its own use in accordance with the guidelines of GASB Statement No. 62, and other related pronouncements. During the year ended June 30, 2014, a total of \$106,344 was capitalized in the Storm Water Management Fund and \$11,366 was capitalized in the Parking Facilities Fund.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

CAPITAL ASSETS (continued)

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

<u>Asset class</u>	<u>Estimated useful lives</u>
Infrastructure (including streets and drainage systems)	50 years
Buildings, plant, structures and improvements	40 years
Improvements other than buildings	20 years
Parking facilities plant and structures	20 years
Vehicles	5 years
Furniture and equipment	5 years

The Authority's capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All purchased capital assets are valued at original cost at the time of acquisition, with cost including any net construction period interest. Donated capital assets are valued at their estimated or appraised fair market value on the date received. The cost of normal maintenance and repairs which do not add to the value of the asset or materially extend assets' lives are not capitalized. The Authority's capital assets include a transfer facility, garage and maintenance facilities, buses, other vehicles, certain equipment, land and construction in progress.

The interlocal agreement between the County and City that provides for the operation of transportation facilities and providing of transportation services requires that title to personal property, equipment, fixtures and real property owned by the County and City shall remain with the current owner. For financial reporting purposes, the asset values and related accumulated depreciation for assets owned by the County and City are recorded as assets of the Authority.

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

<u>Asset class</u>	<u>Estimated useful lives</u>
Buildings and improvements	40 years
Buses	10 - 12 years
Other vehicles	5 - 7 years

The City and Authority may consider capital assets impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. Impaired assets will be appropriately reduced in value or discarded if idle. The City and Authority own no significant capital assets that would be considered impaired.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of resources that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has two items that meet this criterion in the statement of net position – a loss on refunding and an accumulated decrease in fair value of an interest rate swap, both of which had previously been classified as an asset. In addition to liabilities, the statement of net position and/or balance sheet can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of resources that applies to a future period and so will not be recognized as revenue until then. The City has two items that meet the criterion for this category – prepaid taxes and receivables that do not meet the availability criterion.

LONG-TERM OBLIGATIONS

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

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

The City has entered into an interest rate swap agreement to modify interest rates on outstanding debt. The net interest expense resulting from the agreement is recorded in the financial statements. In addition, the swap's accumulated decrease in (negative) fair value and the related deferred outflow of resources are recorded in the government-wide financial statements. All amounts expended by the City under the agreement are to be reimbursed by the Cape Fear Public Utility Authority.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

COMPENSATED ABSENCES

Under the City's current personnel ordinance, full-time employees accrue vacation days based on years of service and may accumulate up to twice their annual accrual level on December 31st of each year. Any unused days not exceeding twice the annual accrual level will be paid upon termination of employment. Full time employees receive up to twelve paid holidays per year. If scheduled holidays cannot be taken, nonexempt employees who are in classifications approved for banking accrued holidays may accumulate all approved holidays and be paid for any unused days upon request. However, all accumulated holiday balances are liquidated prior to fiscal year end. Sick leave credits can be accumulated indefinitely and employees in good standing with a hire date before July 1, 2009 and with at least five years of continuous service may, upon the authorization of the city manager, be paid for 25% of their unused sick leave upon termination of employment. Employees hired on or after July 1, 2009 are not eligible to be paid for unused sick leave upon termination.

For the City's government-wide financial statements and its proprietary funds, an expense and a liability for compensated absences are recorded as the leave is earned (vacation and partial sick leave). The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of the time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

As more fully described in Note 3, the Authority contracts with a management company to provide management services, including the furnishing of certain employees to operate and maintain the equipment. As of June 30, 2014 the Authority recorded a liability of \$151,489 for unused vacation benefits for employees of the management company and the Authority. The Authority's vacation policy provides for the accumulation of up to thirty days earned vacation leave for all employees. Such leave is fully vested when earned.

The Authority has adopted a last-in first out method of accumulating compensation time. The portion of accumulated leave time which is expected to be liquidated after the next fiscal year-end is not considered to be material and, therefore no provision for noncurrent compensated absences has been made in the financial statements.

The Authority's sick leave policy allows for an accumulation of up to a maximum of 120 days for employees of the management company and indefinitely for Authority employees; however, it does not vest. The Authority has no obligation for accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made. The management company provides other benefits to its employees that are reimbursed by agreement.

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.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES

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

The governmental fund types classify fund balances as follows:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The following are the City's nonexpendable fund balances as of June 30, 2014:

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

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The following are the City's restricted fund balances as of June 30, 2014:

Restricted for Stabilization by State statute - portion of fund balance that is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which have not been offset by deferred inflows of resources.

Restricted for community development loans - portion of fund balance that is not an available resource because it represents the year-end balance of foreclosed assets held for resale and notes receivable, where related amounts to be collected are restricted by revenue source for the purpose of providing community development loans.

Restricted for convention center - portion of fund balance that is restricted by revenue source for the operation of the convention center. This amount represents the unspent portion of the room occupancy tax specifically levied for construction and operation of the convention center as well as the interest earned thereon.

Restricted for capital projects - portion of fund balance that is restricted by loan documents for construction of major capital improvements including streets, sidewalks and public facilities. This amount represents the balance of unspent proceeds of certain debt obligations and unspent donations.

Restricted for debt service - portion of fund balance that is restricted by loan documents for debt service payments. This amount represents the balance of interest earnings in certain escrow accounts related to debt obligations.

Restricted for public safety - portion of fund balance that is restricted by revenue source for public safety expenditures such as firemen's relief benefits and certain law enforcement activities including operation of the Southeastern North Carolina AirBorne Law Enforcement program.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES (continued)

Restricted for transportation - portion of fund balance that is restricted by revenue source for certain pedestrian improvements.

Restricted for economic and physical development - portion of fund balance that is restricted by revenue source for community development and other projects which have an economic impact on the City.

Restricted for culture and recreation – portion of fund balance that is restricted by revenue source for the Empie dog park, a riverfront marine sewage pump-out dock station and other projects that provide cultural and recreational enhancement opportunities.

Committed fund balance - This classification includes amounts that can only be used for specific purposes imposed by majority vote by quorum of the City Council (highest level of decision-making authority) pursuant to a budget ordinance. Any changes or removal of specific purpose or transfer of these funds out of their respective funds requires majority action by the City Council to amend the budget ordinance. The following are the City's committed fund balances as of June 30, 2014:

Committed for capital projects - portion of fund balance committed by City Council for the construction of building improvements and parks and recreation facilities held in capital project funds.

Committed for debt service - portion of fund balance committed by City Council to pay for future debt service.

Committed for public safety - portion of fund balance committed by City Council to provide matching funds for future public safety grant opportunities.

Committed for transportation - portion of fund balance committed by City Council to fund the City's red light camera program.

Committed for economic and physical development - portion of fund balance committed by City Council to fund affordable housing programs, historic preservation education and other projects which have an economic impact on the City.

Committed for cultural and recreational - portion of fund balance committed by City Council to support projects that provide cultural and recreational enhancement opportunities.

Assigned fund balance - This classification includes amounts that the City intends to use for specific purposes. Assignments of fund balance are authorized by City Council. The following are the City's assigned fund balances as of June 30, 2014:

Assigned for self-insurance - portion of fund balance held for the future payment of the City's self-insured employee healthcare benefits. This assignment is determined by City Council in conjunction with management at Council retreats.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED INFLOWS AND OUTFLOWS, AND FUND EQUITY (continued)

FUND BALANCES (continued)

Assigned for subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified as restricted or committed. The City Council approves the appropriation as part of the adoption of the annual budget.

Unassigned fund balance - This classification is the portion of fund balance that has not been restricted, committed or assigned to specific purposes or other funds as of June 30, 2014.

The City has revenue spending guidelines for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-City funds and City funds. For the purposes of the fund balance classifications, the expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balances. The Finance Director may deviate from this order if it is in the best interest of the City.

The City has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the City in such a manner that unassigned fund balance is at least equal to or greater than 15 to 20% of the total annual operating budget. Any portion of the general fund balance in excess of 20% of the total annual operating budget may be used for non-recurring expenditures and pay-as-you-go capital expenditures. For the General Fund at June 30, 2014, the portion of fund balance that is available for appropriation equates to unassigned fund balance.

F. COMPARATIVE DATA

Comparative data for the prior year has been presented in selected sections of the City's CAFR in order to provide an understanding of changes in the City's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the City's financial position and operations, or would cause the statements to be unduly complex or difficult to understand.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental funds balance sheet includes a reconciliation between total fund balances – governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One item of that reconciliation explains that “long-term liabilities including bonds payable and accrued interest thereon, are not due and payable in the current period and therefore are not reported in the funds.”

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

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

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

The details of that item are as follows:

Bonds payable	\$ 27,240,000
Installment obligations	138,353,000
Other long-term obligations	13,806,634
Unamortized bond insurance net premiums	5,037,231
Unamortized prepaid bond insurance	(143,094)
Unamortized deferred outflows of resources	(823,028)
Accrued interest payable	992,847
Accrued vacation and sick leave	6,506,400
Accrued other postemployment benefits	15,200,152
Net pension obligation	<u>1,134,814</u>
	<u>\$ 207,304,956</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and changes in net position - governmental activities as reported in the government-wide statement of activities. One item of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period, including amounts for donations and disposals.”

The details of those items are as follows:

Capital outlay	\$ 16,376,333
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	3,100,682
Net transfers of capital assets from proprietary funds increase net position in the statement of activities, but do not appear in governmental funds because they are not financial resources.	24,703
The net book value of capital assets disposed decreases net position in the statement of activities, but does not appear in governmental funds because they are not financial resources.	(25,234)
Depreciation expense	<u>(11,509,469)</u>
	<u>\$ 7,967,015</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

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

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

Another item of that reconciliation states that “some revenues in the statement of activities, including tax and other receipts do not provide current financial resources and are therefore not reported as revenues in the funds.” The details of this item are as follows:

Accrued interest receivable	\$ (22,450)
Tax and other receipts deferred in funds	<u>(138,962)</u>
	<u>\$ (161,412)</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of prepaid bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.”

The details of this item are as follows:

Principal payments:	
Bonds payable	\$ 1,900,000
Installment obligations	6,397,500
Other long-term obligations	753,058
Amortization of prepaid bond insurance, premiums and loss on refundings	<u>390,791</u>
	<u>\$ 6,391,349</u>

The reconciliation further states that “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.” The details of this item are as follows:

Accrued vacation and sick leave	\$ (508,271)
Accrued other postemployment benefits	(3,685,225)
Accrued interest payable	<u>43,719</u>
	<u>\$ (4,149,777)</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS

A. ASSETS

DEPOSITS AND INVESTMENTS

All of the City's and the Authority's deposits are either insured or collateralized under the Pooling Method. Under the Pooling Method, which is a statewide collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the Authority, these deposits are considered to be held by each unit's agent in the unit's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, Authority or the escrow agents. Because of the inability to measure the exact amount of collateral pledged for the City and the Authority 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 and the Authority have no formal policy regarding custodial credit risk for deposits but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City and Authority comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the City's deposits had a carrying amount of \$61,772,179 and a bank balance of \$62,756,568. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Cash on hand at June 30, 2014, was \$133,055.

At June 30, 2014, the Authority's deposits had a carrying amount of \$153,377 and a bank balance of \$183,675. The bank balance was fully covered by federal depository insurance. The Authority's cash on hand at June 30, 2014 consisted of various petty cash funds totaling \$1,469.

At June 30, 2014, the investments and related maturities of the City were as follows:

Investment Type	Fair Value	Less Than 6 Months	1 - 3 Years	3 - 5 Years
North Carolina Capital Management Trust, Cash Portfolio	\$ 15,849,056	\$ 15,849,056	\$ -	\$ -
North Carolina Capital Management Trust, Term Portfolio	5,009,077	5,009,077	-	-
U.S. Government Agencies	<u>14,872,940</u>	-	<u>1,984,260</u>	<u>12,888,680</u>
Total investments	<u>\$ 35,731,073</u>	<u>\$ 20,858,133</u>	<u>\$ 1,984,260</u>	<u>\$ 12,888,680</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

DEPOSITS AND INVESTMENTS (continued)

At June 30, 2014, the Authority's investments consisted of \$843 in North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Authority has no policy for managing interest rate risk or credit risk.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years. Also, the City's investment policy limits the weighted average maturity of the City's investment portfolio (including deposits) to no more than 12 months. The weighted average maturity of the investment portfolio as of June 30, 2014 is 6.4 months. All of the U.S. Government Agencies in the City's portfolio are callable securities. For weighted average maturity, it is assumed that these securities will be held to maturity.

Credit Risk

The City has no formal policy on managing credit risk. As of June 30, 2014, the City's investment in the NCCMT Cash Portfolio carried a credit rating of AAAM by Standard & Poor's. The City's investment in the NCCMT Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. agencies, and in high grade money market instruments as permitted under G.S. 159-30 as amended. The City's investments in U.S. Agencies (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

Concentration of Credit Risk

The City's investment policy limits the amount that the City may invest in any one issuer to 25% of the City's total investments. More than 5 percent of the City's investments are in the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the Federal Farm Credit Bank securities. These investments are 5.5%, 11.1%, 16.6% and 8.3%, respectively, of the City's total investments.

CITY OF WILMINGTON, NORTH CAROLINA

**Notes to Financial Statements (Continued)
June 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES

Current receivables for governmental activities at the government-wide level at June 30, 2014, were as follows:

	Taxes	Accounts	Other Governments	Notes	Restricted	Other	Total
General Fund	\$2,266,050	\$2,053,684	\$ 9,545,329	\$ 232,620	\$ -	\$ 591,147	\$14,688,830
Special Purpose Fund	-	-	639,049	98,467	938,452	56	1,676,024
Streets and Sidewalks Fund	-	-	1,755,137	-	-	1,019	1,756,156
Building Improvements Fund	-	862	2,924	-	-	1,023	4,809
Debt Service Fund	145,746	-	58,236	-	-	2,877	206,859
Nonmajor							
Governmental Funds	-	-	430,578	17,194,557	2,367,391	760	19,993,286
Internal Service Funds	-	-	20,350	-	-	2,980	23,330
Total receivables	2,411,796	2,054,546	12,451,603	17,525,644	3,305,843	599,862	38,349,294
Allowance for doubtful accounts	(1,471,730)	(554,683)	-	-	-	-	(2,026,413)
Total governmental activities	<u>\$ 940,066</u>	<u>\$1,499,863</u>	<u>\$12,451,603</u>	<u>\$17,525,644</u>	<u>\$3,305,843</u>	<u>\$ 599,862</u>	<u>\$36,322,881</u>

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

Local government sales and use taxes	\$ 5,427,420
Franchise tax	1,451,808
Video programming sales tax	349,660
PEG channel support	7,898
Refund of sales and use tax paid	552,373
Motor vehicle tax	338,589
ABC revenues	340,824
Other grants and reimbursements	3,983,031
	<u>\$ 12,451,603</u>

The restricted receivables for governmental activities consist of the following:

Interest on room occupancy tax	\$ 1,876
Due from management company for convention center	274,500
Due from other governments - Local government sales and use taxes	112
Due from other governments - Room occupancy tax	661,964
Due from other governments - Unexpended parks development proceeds held by New Hanover County	2,283,739
Due from other governments - Firemen's Relief Fund	83,652
	<u>\$ 3,305,843</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

RECEIVABLES (continued)

The amount of long-term receivables for governmental activities consists of amounts due from the Cape Fear Public Utility Authority (CFPUA) for principal on certain long-term debt obligations of the former Water and Sewer and Ground Water Funds not assignable to the CFPUA. The long-term receivable from the CFPUA at June 30, 2014 is as follows:

	General obligation bonds	Installment obligations	Total
Long-term receivable	\$ 2,355,000	\$ 12,640,000	\$ 14,995,000

Receivables for business-type activities at the government-wide level at June 30, 2014, were as follows:

	Accounts	Other Governments	Restricted	Other	Total
Solid Waste Management Fund	\$ 2,005,213	\$ 213,592	\$ -	\$ 1,297	\$ 2,220,102
Storm Water Management Fund	1,512,200	169,483	-	11,262	1,692,945
Parking Facilities Fund	4,358	1,683	-	1,440	7,481
Nonmajor Golf Fund	-	3,564	525,682	527	529,773
Total receivables	3,521,771	388,322	525,682	14,526	4,450,301
Allowance for doubtful accounts	(865,847)	-	-	-	(865,847)
Total business-type activities	\$ 2,655,924	\$ 388,322	\$ 525,682	\$ 14,526	\$ 3,584,454

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

Refund of sales and use tax paid	\$ 7,640
Solid waste disposal tax	15,384
Cape Fear Public Utility Authority	333,633
Other grants and reimbursements	31,665
	\$ 388,322

The restricted receivables for business-type activities consist of the following:

Due from other governments - Unexpended parks development bonds issued by New Hanover County	\$ 525,682
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The amount due from other governments for the Authority as of June 30, 2014 consists of the following:

State operating grant revenues	\$ 230,604
Federal operating grant revenues	1,863,641
Local government sales and use taxes	104,093
Other local government receivables	95,807
	\$ 2,294,145

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS

Capital asset activity for the primary government's governmental activities for the year ended June 30, 2014, was as follows:

	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 52,165,022	\$ 4,102,552	\$ -	\$ 2,850	\$ 56,270,424
Easements	11,006,966	563,200	(8,351)	-	11,561,815
Construction in progress	8,196,426	2,304,207	-	(6,617,022)	3,883,611
Total capital assets not being depreciated	<u>71,368,414</u>	<u>\$ 6,969,959</u>	<u>\$ (8,351)</u>	<u>\$ (6,614,172)</u>	<u>71,715,850</u>
Capital assets being depreciated:					
Improvements other than buildings	49,334,668	\$ 3,765,698	\$ -	\$ 2,466,729	55,567,095
Buildings, plant and structures	140,112,139	518,006	-	-	140,630,145
Furniture, fixtures, machinery and equipment	42,809,903	2,236,308	(612,611)	13,500	44,447,100
Computer software	1,246,078	139,636	-	-	1,385,714
Streets and drainage	197,759,983	7,647,705	-	4,133,943	209,541,631
Total capital assets being depreciated	<u>431,262,771</u>	<u>\$ 14,307,353</u>	<u>\$ (612,611)</u>	<u>\$ 6,614,172</u>	<u>451,571,685</u>
Less accumulated depreciation for:					
Improvements other than buildings	12,694,305	\$ 2,502,236	\$ -	\$ -	15,196,541
Buildings, plant and structures	28,000,790	3,442,583	-	-	31,443,373
Furniture, fixtures, machinery and equipment	36,002,199	3,960,476	(595,728)	-	39,366,947
Computer software	815,437	260,136	-	-	1,075,573
Streets and drainage	59,706,940	2,547,079	-	-	62,254,019
Total accumulated depreciation	<u>137,219,671</u>	<u>\$ 12,712,510</u>	<u>\$ (595,728)</u>	<u>\$ -</u>	<u>149,336,453</u>
Total capital assets being depreciated, net	<u>294,043,100</u>				<u>302,235,232</u>
Governmental activities capital assets, net	<u>\$ 365,411,514</u>				<u>\$ 373,951,082</u>

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

General government	\$ 1,207,446
Public safety	2,198,537
Transportation	4,384,863
Economic and physical development	1,258,420
Cultural and recreational	2,460,203
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,203,041</u>
	<u>\$ 12,712,510</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS (continued)

Capital asset activity for each of the business-type activities for the year ended June 30, 2014, was as follows:

	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Solid waste:					
Capital assets being depreciated:					
Furniture, fixtures, machinery and equipment	\$ 24,093	\$ 13,535	\$ -	\$ -	\$ 37,628
Less accumulated depreciation for:					
Furniture, fixtures, machinery and equipment	15,988	3,732	-	-	19,720
Solid waste capital assets, net	<u>8,105</u>				<u>17,908</u>
Storm water:					
Capital assets not being depreciated:					
Land	856,036	\$ 167,635	\$ -	\$ -	1,023,671
Easements	719,955	178,704	-	-	898,659
Construction in progress	1,713,912	542,399	-	-	2,256,311
Total capital assets not being depreciated	<u>3,289,903</u>	<u>\$ 888,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>4,178,641</u>
Capital assets being depreciated:					
Improvements other than buildings	48,359,726	\$ 681,137	\$ -	\$ -	49,040,863
Buildings, plant and structures	1,202,630	201,363	(97,062)	-	1,306,931
Furniture, fixtures, machinery and equipment	370,203	34,340	-	-	404,543
Total capital assets being depreciated	<u>49,932,559</u>	<u>\$ 916,840</u>	<u>\$ (97,062)</u>	<u>\$ -</u>	<u>50,752,337</u>
Less accumulated depreciation for:					
Improvements other than buildings	16,395,771	\$ 767,572	\$ -	\$ -	17,163,343
Buildings, plant and structures	134,975	31,370	-	-	166,345
Furniture, fixtures, machinery and equipment	318,281	32,043	(1,213)	-	349,111
Total accumulated depreciation	<u>16,849,027</u>	<u>\$ 830,985</u>	<u>\$ (1,213)</u>	<u>\$ -</u>	<u>17,678,799</u>
Total capital assets being depreciated, net	<u>33,083,532</u>				<u>33,073,538</u>
Storm water capital assets, net	<u>36,373,435</u>				<u>37,252,179</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS (continued)

	July 1, 2013	Increases	Decreases	Transfers	June 30, 2014
Parking facilities:					
Capital assets not being depreciated:					
Land	\$ 6,523,115	\$ -	\$ -	\$ -	\$ 6,523,115
Construction in progress	<u>116,325</u>	<u>12,229</u>	<u>-</u>	<u>(117,078)</u>	<u>11,476</u>
Total capital assets not being depreciated	<u>6,639,440</u>	<u>\$ 12,229</u>	<u>\$ -</u>	<u>\$ (117,078)</u>	<u>6,534,591</u>
Capital assets being depreciated:					
Buildings, plant and structures	13,147,873	\$ 478,995	\$ (73,804)	\$ 117,078	13,670,142
Furniture, fixtures, machinery and equipment	<u>344,163</u>	<u>114,080</u>	<u>(12,739)</u>	<u>-</u>	<u>445,504</u>
Total capital assets being depreciated	<u>13,492,036</u>	<u>\$ 593,075</u>	<u>\$ (86,543)</u>	<u>\$ 117,078</u>	<u>14,115,646</u>
Less accumulated depreciation for:					
Buildings, plant and structures	6,555,910	\$ 590,764	\$ (31,367)	\$ -	7,115,307
Furniture, fixtures, machinery and equipment	<u>225,641</u>	<u>143,304</u>	<u>(12,739)</u>	<u>-</u>	<u>356,206</u>
Total accumulated depreciation	<u>6,781,551</u>	<u>\$ 734,068</u>	<u>\$ (44,106)</u>	<u>\$ -</u>	<u>7,471,513</u>
Total capital assets being depreciated, net	<u>6,710,485</u>				<u>6,644,133</u>
Parking facilities capital assets, net	<u>13,349,925</u>				<u>13,178,724</u>
Golf:					
Capital assets not being depreciated:					
Land	109,393	\$ -	\$ -	\$ -	109,393
Construction in progress	<u>-</u>	<u>765,029</u>	<u>-</u>	<u>-</u>	<u>765,029</u>
Total capital assets not being depreciated	<u>109,393</u>	<u>\$ 765,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>874,422</u>
Capital assets being depreciated:					
Improvements other than buildings	791,775	\$ -	\$ -	\$ -	791,775
Buildings, plant and structures	485,348	-	-	-	485,348
Furniture, fixtures, machinery and equipment	<u>371,310</u>	<u>5,490</u>	<u>-</u>	<u>-</u>	<u>376,800</u>
Total capital assets being depreciated	<u>1,648,433</u>	<u>\$ 5,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,653,923</u>
Less accumulated depreciation for:					
Improvements other than buildings	671,289	\$ 20,431	\$ -	\$ -	691,720
Buildings, plant and structures	192,544	10,134	-	-	202,678
Furniture, fixtures, machinery and equipment	<u>325,975</u>	<u>18,357</u>	<u>-</u>	<u>-</u>	<u>344,332</u>
Total accumulated depreciation	<u>1,189,808</u>	<u>\$ 48,922</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,238,730</u>
Total capital assets being depreciated, net	<u>458,625</u>				<u>415,193</u>
Golf capital assets, net	<u>568,018</u>				<u>1,289,615</u>
Business-type activities capital assets, net	<u>\$ 50,299,483</u>				<u>\$ 51,738,426</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

CAPITAL ASSETS (continued)

COMMITMENTS FOR CAPITAL PROJECTS

At June 30, 2014, the City has commitments for active projects as follows:

	Spent to date	Remaining commitment
Governmental funds:		
Capital projects	\$ 18,266,414	\$ 5,839,016
Enterprise funds:		
Storm Water capital projects	\$ 2,055,648	\$ 1,464,138
Parking Facilities capital projects	486,163	301,949
Golf capital projects	763,820	550,626
Total enterprise funds	\$ 3,305,631	\$ 2,316,713

DISCRETELY PRESENTED COMPONENT UNIT

Activity for the Cape Fear Public Transportation Authority for the year ended June 30, 2014, is as follows:

	June 30, 2013	Increases	Decreases	June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,717,404	\$ -	\$ -	\$ 2,717,404
Construction in progress	741,027	5,063,049	-	5,804,076
Total capital assets not being depreciated	3,458,431	\$ 5,063,049	\$ -	8,521,480
Capital assets being depreciated:				
Buildings and improvements	5,428,224	\$ -	\$ -	5,428,224
Furniture, fixtures, machinery and equipment	12,025,661	73,762	(112,169)	11,987,254
Total capital assets being depreciated	17,453,885	\$ 73,762	\$ (112,169)	17,415,478
Less accumulated depreciation for:				
Buildings and improvements	876,731	\$ 146,896	\$ -	1,023,627
Furniture, fixtures, machinery and equipment	9,349,239	689,652	(112,169)	9,926,722
Total accumulated depreciation	10,225,970	\$ 836,548	\$ (112,169)	10,950,349
Total capital assets being depreciated, net	7,227,915			6,465,129
Authority capital assets, net	\$ 10,686,346			\$ 14,986,609

At June 30, 2014 the Authority has remaining commitments for an active project totaling \$4,487,025. The original commitment was for \$8,976,500. Net change orders as of June 30, 2014 totaled \$271,526 for a total commitment of \$9,248,026.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS

1. Local Governmental Employees' Retirement System

Plan Description. The City of Wilmington and the Authority contribute to 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 provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. LGERS is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 707-0500.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City and the Authority are required to contribute at an actuarially determined rate. For the City and the Authority, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members, the City and the Authority are established and may be amended by the North Carolina General Assembly.

Contributions by the City to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$3,257,104, \$2,979,966, and \$3,045,064, respectively. Contributions by the Authority to LGERS for the years ended June 30, 2014, 2013, and 2012 were \$54,890, \$53,628, and \$67,353, respectively. The contributions made by the City and the Authority equaled the required contributions for each year.

2. Law Enforcement Officers' Special Separation Allowance

a. Plan Description

The City of Wilmington administers a public employee retirement system (the "Separation Allowance"), a single-employer, defined benefit pension plan that provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is included in the City's financial statements as a pension trust fund. The Separation Allowance does not issue separate financial statements.

All full-time law enforcement officers of the City are covered by the Separation Allowance. At December 31, 2013, the date of the latest actuarial valuation, the Separation Allowance's membership consisted of:

Retirees currently receiving benefits	17
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>263</u>
Total	<u><u>280</u></u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

2. Law Enforcement Officers' Special Separation Allowance (continued)

b. Summary of Significant Accounting Policies.

Basis of Accounting. Financial statements for the Pension Trust Fund for the Special Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Methods used to Value Investments. Investments are reported at fair value.

c. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments through appropriations made in the General Fund operating budget. For the current year, the City contributed \$250,000 or 1.87% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are paid by the City.

The annual required contribution for the current fiscal year was determined as part of the December 31, 2012 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. The inflation component was 3%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The remaining amortization period at December 31, 2012 was 18 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation (asset) in regards to the Separation Allowance for the current year are as follows:

Annual required contribution	\$ 583,569
Interest on net pension obligation	41,364
Adjustment to annual required contribution	<u>(67,401)</u>
Annual pension cost	557,532
Contributions made	<u>(250,000)</u>
Change in net pension obligation	307,532
Net pension obligation, beginning of year	<u>827,282</u>
Net pension obligation, end of year	<u>\$ 1,134,814</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

2. Law Enforcement Officers' Special Separation Allowance (continued)

c. Contributions. (continued)

Annual Pension Cost and Net Pension Obligation. (continued)

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 489,234	51.10 %	\$ 540,407
June 30, 2013	536,875	46.57	827,282
June 30, 2014	557,532	44.84	1,134,814

d. Funded status and funding progress.

As of December 31, 2013, the most recent actuarial valuation date, the plan was 16.36% funded. The actuarial accrued liability for benefits was \$6,165,191, and the actuarial value of assets was \$1,008,605, resulting in an unfunded actuarial liability (UAAL) of \$5,165,586. The covered payroll (annual payroll of active employees covered by the plan) was \$13,372,683, and the ratio of the UAAL to the covered payroll was 38.56%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The following are financial statements for the City's Separation Allowance included in the Pension Trust Funds as Fiduciary Funds in the Basic Financial Statements as of and for the year ended June 30, 2014:

Statement of Net Position

Assets	
Cash and cash equivalents	\$ 851,606
Investments:	
North Carolina Capital Management Trust, Term Portfolio	69,159
U.S. Government Agencies	205,347
Other receivables	406
Total assets	\$ 1,126,518
Net Position	
Assets held in trust for pension benefits	\$ 1,126,518

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

2. Law Enforcement Officers' Special Separation Allowance (continued)

Statement of Changes in Net Position

Additions	
Contributions:	
Employer	\$ 250,000
Investment earnings	<u>5,616</u>
Total additions	<u>255,616</u>
Deductions	
Benefits	<u>267,435</u>
Change in net position	(11,819)
Net position at beginning of year	<u>1,138,337</u>
Net Position at end of year	<u><u>\$ 1,126,518</u></u>

3. Supplemental Retirement Income Plan

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. For the year ended June 30, 2014, the City's required contribution was \$677,220 for the law enforcement officers.

The City has elected to make contributions on behalf of all employees to the Supplemental Retirement Income Plan or the 457 Deferred Compensation Plan, discussed later in Note 3. Effective July 1, 2014, the City's contribution is 4.5%, which changed from 3.5%, of covered payroll and contributions are made to the plan selected by the employee. The City Council established the contribution and can amend or discontinue it at any time. Employees can also make voluntary contributions to these plans.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

3. Supplemental Retirement Income Plan (continued)

Funding Policy. (continued)

Employer contributions to the Supplemental Retirement Income Plan, excluding required contributions for law enforcement officers, totaled \$1,280,942 for the year ended June 30, 2014. Employee contributions to this plan, including law enforcement officers, included in salary expense for the year ended June 30, 2014, were \$930,333.

The Authority has elected to contribute on behalf of all employees full matching of employee contributions up to 4.5% of eligible compensation. Authority contributions on behalf of the employees were \$9,010 and employee contributions were \$34,492 for the year ended June 30, 2014.

4. Firefighter's Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of Wilmington, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad 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. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. The amount of the State's contribution to the fund is not available and is not considered significant to these financial statements.

5. Other Postemployment Benefits

Plan Description. Under the terms of a City Council resolution, the City of Wilmington provides specified healthcare benefits to eligible retirees through its medical self-insurance program as a single-employer defined benefit other post employment benefit plan to cover retirees of the City who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least five years of creditable service with the City. The healthcare benefits for retired employees are the same as for active employees and are available to qualified retirees until the age of 65 or until Medicare eligible, whichever is sooner. Dependents of retirees may participate in the healthcare plan by paying premiums that vary depending upon their type of coverage. The City Council may amend the benefit provisions. A separate report was not issued for the plan.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Plan Description. (continued)

Membership of the plan consisted of the following at December 31, 2013, the date of the latest actuarial valuation:

	General Employees	Firefighters	Law Enforcement Officers
Retirees and dependents receiving benefits	64	52	40
Terminated plan members entitled to but not yet receiving benefits	-	-	-
Active plan members	390	168	225
Total	454	220	265

Funding Policy. The City Council established the contribution requirements of plan members under the City's medical self-insurance program and those contribution requirements may be amended by the City Council. Annually, the cost of each type of coverage is determined and a set amount of those costs are required of active employees. For the year ended June 30, 2014 active employee contribution requirements range from \$128 to \$584 per month depending on their choice of coverage. The retiree contribution to the cost of a selected type of coverage is equivalent at a minimum to the active employee premium but may also include a percentage of the City's portion of the premium depending on the date the retiree was first hired by the City and the years of creditable service the retiree has achieved with the LGERS. For qualified retired employees first hired on or after January 1, 2007 but before January 1, 2009, contribution requirements are the active employee premium plus a percentage of the premium paid by the City for active employees as determined by the following chart:

Years of Creditable Service with the North Carolina Local Governmental Employees' Retirement System		Percentage of City Premium Required of Retiree in Addition to Active Employee Premium
At Least:	Not More Than:	
5	9	75 %
10	14	50
15	19	25
20	-	-

Retired employees first hired on or after January 1, 2007 but before January 1, 2011 may purchase healthcare benefits for their eligible dependents by paying the full cost of such dependent coverage. For qualified retired employees first hired before January 1, 2007, contribution requirements for both individual and dependent coverage are limited to the active employee premium.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Funding Policy. (continued)

Effective June 30, 2009, 39 employees accepted an early retirement incentive offer. Of these employees, 26 receive benefits under the City’s healthcare plan on a noncontributory basis until they become 65 years of age or Medicare eligible, whichever comes first, and can no longer participate in the plan. The remaining 13 employees continue to make the required retiree contributions but once age 65 or Medicare eligibility is reached and they can no longer participate in the healthcare plan, the City will fund a Health Reimbursement Account in the amount of \$10,500 over five years on behalf of the employee. The effects of these termination benefits were included in the actuarial valuation as of December 31, 2013.

Effective with employees hired on or after January 1, 2009 but before January 1, 2011, by City Council resolution, a retiree must participate in the North Carolina Local Governmental Employees’ Retirement System and have at least 10 years of creditable service with the City of Wilmington to be eligible for benefits under the City’s postemployment healthcare plan. Such a retiree will be required to contribute the active employee premium plus a percentage of the premium paid by the City for active employees based on the number of creditable years of service attained with the City as determined by the following chart:

Years of Continuous Service with the City of Wilmington		Percentage of City Premium Required of Retiree in Addition to Active Employee Premium
At Least:	Not More Than:	
10	15	80 %
15	20	60
20	25	40
25	30	20
30	-	-

Effective with employees hired on or after January 1, 2011, by City Council resolution, the City no longer provides an Employee Healthcare Plan for retirees.

The City initially elected to fund the healthcare benefits on a pay as you go basis; however, during the fiscal year-ended June 30, 2009, the City established an irrevocable trust for these benefits at First Citizens Bank and prefunded an additional amount to partially pay the future cost of coverage for benefits. The current annual required contribution is 15.15% of annual covered payroll. For the current year, the City contributed \$1,305,269 or 3.45% of annual covered payroll for current premiums. The City of Wilmington is self-insured. Contributions of \$338,335 were made by retirees for healthcare premiums. The City’s obligation to contribute to the medical self-insurance program is established and may be amended by the City Council.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Summary of Significant Accounting Policies. Postemployment benefit trust fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations. Investments in securities of the North Carolina Capital Management Trust's (NCCMT) Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Administrative costs are charged to the individual funds.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the postemployment healthcare benefits:

Annual required contribution	\$ 5,737,392
Interest on net OPEB obligation	549,933
Adjustment to annual required contribution	<u>(764,487)</u>
Annual OPEB cost	5,522,838
Contributions made	<u>(1,305,269)</u>
Change in net OPEB obligation	4,217,569
Net OPEB obligation, beginning of year	<u>13,748,313</u>
Net OPEB obligation, end of year	<u><u>\$ 17,965,882</u></u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation. (continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the healthcare plan and the net OPEB obligation for 2014, 2013 and 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 4,487,296	32.50	\$ 9,561,242
June 30, 2013	5,588,180	25.10	13,748,313
June 30, 2014	5,522,838	23.60	17,965,882

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was funded 0.76%. The actuarial liability for benefits was \$45,962,447 and the actuarial value of assets was \$350,856 resulting in an unfunded actuarial accrued liability (UAAL) of \$45,611,591. The covered payroll (annual payroll of active employees covered by the plan) was \$37,877,785, and the ratio of the UAAL to the covered payroll was 120.4%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in to the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about the actuarial value of plan assets and the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend rate of 7.75% decreasing to 5.00% annually. The investment rate included a 3.00% inflation assumption. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

5. Other Postemployment Benefits (continued)

The following are financial statements for the Other Postemployment Benefits Trust Fund included in the Pension Trust Funds as Fiduciary Funds in the Basic Financial Statements as of and for the year ended June 30, 2014:

Statement of Net Position

Assets	
Investments:	
North Carolina Capital Management Trust, Cash Portfolio	\$ 349,524
Liabilities	
Accounts payable	675
Net Position	
Assets held in trust for other postemployment benefits	\$ 348,849

Statement of Changes in Net Position

Additions	
Contributions:	
Employer	\$ 1,305,269
Plan members	338,335
Total contributions	1,643,604
Investment earnings	34
Total additions	1,643,638
Deductions	
Benefits	1,490,288
Administrative expense	156,015
Total deductions	1,646,303
Change in net position	(2,665)
Net position at beginning of year	351,514
Net Position at end of year	\$ 348,849

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the International City Managers' Association Retirement Corporation. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. All assets of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. A separate report was not issued for the plan.

The City provides a contribution of 3% of covered payroll to the 457 Deferred Compensation Plan for fire fighters. The City also matches the contributions made by the fire fighters to the 457 Deferred Compensation Plan up to 3% of covered payroll. The City Council established both the 3% contribution and the matching contribution and may amend or discontinue them at any time. Contributions by fire fighters to the plan, included in salary expense for the year ended June 30, 2014, were \$268,748 that was matched by the City.

Employer contributions to the 457 Deferred Compensation Plan totaled \$1,290,823 for the year ended June 30, 2014. This amount included the 3% contribution and matching contributions for fire fighters as well as the 4.5% employer contribution available to all employees. Employee contributions to the plan, excluding the fire fighter's matched deferral, included in salary expense for the year ended June 30, 2014, were \$319,616.

OTHER EMPLOYMENT BENEFITS

The City has elected to provide death benefits to employees engaged in law enforcement through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefits are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2014, the City was provided temporary relief of contributions to the State for death benefits. This relief is in effect for three years beginning July 1, 2012. The City is not required to contribute for employees not engaged in law enforcement. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

PENSION PLAN AND POSTEMPLOYMENT OBLIGATIONS (continued)

OTHER EMPLOYMENT BENEFITS (continued)

The City has elected to provide additional group-term life insurance benefits to employees for benefit eligible positions. The City provides Basic Life Insurance which includes an Accidental Death and Dismemberment provision. All full-time active employees are eligible for this benefit after the eligibility waiting period. The coverage is effective the first of the month following 60 days of employment. Lump sum death benefit payments to beneficiaries are equal to the employee's annual salary rounded to the next higher \$1,000, if not already a multiple of \$1,000, subject to a maximum benefit of \$150,000. However, in no event will the basic amount of life insurance be less than \$10,000. All death benefits are made by the insurance provider. The City has no liability beyond the payment of monthly premiums. For the fiscal year ended June 30, 2014, the City paid \$94,901 to the insurance provider for death benefit premiums for all eligible employees. Life insurance benefits in excess of \$50,000 are considered taxable to the employee as a fringe benefit.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The balance in deferred outflows of resources at June 30, 2014 is summarized as follows:

	Parking Facilities Fund	Governmental Activities	Business-type Activities
Deferred amount for loss on refunded debt	\$ 303,923	\$ 823,028	\$ 303,923
Accumulated decrease in fair value of interest rate swap	-	93,242	-
	\$ 303,923	\$ 916,270	\$ 303,923

The balance in deferred inflows of resources at June 30, 2014 is summarized as follows:

	General Fund	Building Improvements Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Activities
Unavailable Revenue:					
Taxes receivable, net	\$ 814,565	\$ -	\$ 125,501	\$ -	\$ -
Accounts receivable	1,468,865	862	-	-	-
Notes receivable	232,620	-	-	21,694	-
Unearned Revenue:					
Prepaid property taxes	3,024	-	378	-	3,402
	\$ 2,519,074	\$ 862	\$ 125,879	\$ 21,694	\$ 3,402

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

UNEARNED REVENUES

The balance in unearned revenues at June 30, 2014 is summarized as follows:

	Nonmajor Golf Fund	Special Purpose Fund	Governmental Activities (Restricted)	Business-type Activities
Prepaid convention center capital contribution from management company - restricted	\$ -	\$ 20,000	\$ 20,000	\$ -
Prepaid golf course green fees	59,371	-	-	59,371
	\$ 59,371	\$ 20,000	\$ 20,000	\$ 59,371

LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds, which pledge the full faith, credit, and taxing power of the City, have been issued for governmental purposes and are serviced by the Debt Service Fund. All issues are tax-exempt with the exception of Public Improvements Bonds, Series 2014 issued for extension of the North Riverwalk. Principal and interest requirements are provided by appropriation in the year in which they become due.

General obligation bonds outstanding at June 30, 2014 are comprised of the following issues:

	Governmental activities
\$28,825,000 Synthetic Refunding Bonds, Series 2002 issued to refund General Obligation Water Bonds; principal payment due on June 1, 2015 in the amount of \$2,355,000; variable rate semiannual interest payments due December 1, 2014 and June 1, 2015.	\$ 2,355,000
\$3,580,000 Public Improvements Bonds, Series 2003A issued for streets and sidewalks; principal payments due annually on March 1 in installments of \$255,000 through March 1, 2018; semiannual interest payments due March 1 and September 1 with rates from 3.5 to 3.875 percent.	1,020,000
\$5,605,000 General Obligation Bonds, Series 2008A issued for streets and highways; principal payments due annually on September 1 in installments of \$280,000 through September 1, 2028; semiannual interest payments due March 1 and September 1 with rates from 3.50 to 4.25 percent.	4,200,000

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

General Obligation Bonds (continued)

	<u>Governmental activities</u>
<p>\$9,000,000 General Obligation Bonds, Series 2008B issued for streets, highways and sidewalks; principal payments due annually on September 1 in installments of \$450,000 through September 1, 2028; semiannual interest payments due March 1 and September 1 with rates from 3.50 to 4.25 percent.</p>	\$ 6,750,000
<p>\$3,660,000 Public Improvements Bonds, Series 2011A issued for streets, highways, sidewalks and bridge improvements; principal payments due annually on July 1 in installments of \$195,000 through July 1, 2031; semiannual interest payments due January 1 and July 1 with rates from 2.00 to 4.00 percent.</p>	3,510,000
<p>\$3,120,000 Refunding; Series 2011B General Obligation Bonds issued to refund \$1,010,000 of outstanding 1997A Public Improvement General Obligation Bonds and to refund \$2,150,000 of outstanding 2000 Public Improvements General Obligation Bonds; principal payments due annually on January 1 ranging from \$305,000 to \$435,000 through January 1, 2018; semiannual interest payments due January 1 and July 1 with rates from 2.00 to 3.00 percent.</p>	1,585,000
<p>\$5,000,000 Public Improvements Bonds; Series 2011C General Obligation Bonds issued for streets, highways and sidewalks; principal payments due July 1 in installments of \$265,000 through July 1, 2031; semiannual interest payments due January 1 and July 1 with rates from 2.00 to 4.00 percent.</p>	4,770,000
<p>\$3,050,000 Public Improvements Bonds; Series 2014 Taxable General Obligation Bonds issued for extension of the North Riverwalk; principal payments due June 1 in installments ranging from \$150,000 to \$155,000 through June 1, 2034; semiannual interest payments due June 1 and December 1 with rates from 3.00 to 4.20 percent.</p>	<u>3,050,000</u>
<p>Serviced by Debt Service Fund</p>	<u>\$ 27,240,000</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

General Obligation Bonds (continued)

Annual debt service requirements to maturity for general obligation bonds at June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 4,390,000	\$ 965,991
2016	2,025,000	819,906
2017	2,020,000	757,069
2018	1,905,000	697,406
2019	1,345,000	634,838
2020-2024	6,725,000	2,449,781
2025-2029	6,700,000	1,130,187
3030-2034	2,130,000	175,800
	<u>\$ 27,240,000</u>	<u>\$ 7,630,978</u>

In prior years, general obligation bonds were issued for water and sewer system improvements and were repaid from revenues of the water and sewer fund. In connection with the transfer of assets and liabilities of the City to the Cape Fear Public Utility Authority (CFPUA) on July 1, 2008, general obligation bond annual debt service requirements of the former water and sewer fund continue to be obligations of the City and are reimbursed to the City by the CFPUA. General obligation bonds outstanding at June 30, 2014 of the former water and sewer fund are \$2,355,000.

Revenue Bonds

The City has issued tax exempt revenue bonds for improvements to the storm water systems. Principal and interest requirements are provided by appropriation in the year in which they become due.

Revenue bonds outstanding at June 30, 2014 are comprised of the following individual issue:

	Business-type activities
\$14,035,000 Storm Water Fee Revenue Bonds, Series 2007 issued for storm water system improvements and to refund \$3,130,000 of outstanding Series 1997A Public Improvements Bonds; principal installments due annually on June 1 in varying amounts from \$445,000 to \$725,000 through June 1, 2033; semiannual interest payments due June 1 and December 1 a fixed rate of 5.00 percent; serviced by the Storm Water Management Fund.	<u>\$ 11,180,000</u>

The City has pledged storm water fee customer revenues, net of specified operating expenses, to pay the storm water fee revenue bonds. The bonds are payable solely from storm water fee customer net revenues. Related principal and interest paid for the current year are \$1,052,731 or 30% of available net revenues of \$3,535,633.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Revenue Bonds (continued)

Certain covenants are contained in the revenue bond order. The City was in compliance with the covenants during the fiscal year ended June 30, 2014. The revenue coverage calculation as of June 30, 2014 is as follows:

Revenues (1)		
Operating revenues	\$ 8,810,446	
Other operating revenue	70,723	
Investment earnings	44,427	\$ 8,925,596
Current Expenses (2)		
Operating expenses	6,223,242	
Less depreciation	(830,985)	
Less amortization	(2,294)	5,389,963
Revenues available for debt service		3,535,633
Principal and interest requirements (3)		
Revenue bonds (at 120%)	1,261,777	
Other indebtedness (at 100%)	114,300	1,376,077
Revenues in excess of principal and interest requirements		\$ 2,159,556

(1) Includes all fees, other charges and investment income in accordance with bond covenants.

(2) Excludes interest, depreciation and amortization expense in accordance with bond covenants.

(3) Includes all indebtedness (excluding capitalized interest) for succeeding fiscal year in accordance with bond covenants.

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2015	\$ 520,000	\$ 531,481
2016	545,000	509,381
2017	565,000	486,219
2018	590,000	462,206
2019	620,000	435,656
2020-2024	2,935,000	1,744,095
2025-2029	2,710,000	1,093,500
3030-2034	2,695,000	345,250
	\$ 11,180,000	\$ 5,607,788

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations

Certificates of Participation and Limited Obligation Bonds have been issued for the purchase of real property, construction of public facilities, construction of parking facilities and improvements to streets. Under these agreements, the assets collateralize the debt. All issues are tax-exempt with the exception of Limited Obligation Bonds, Series 2010B of which a portion are Build America Bonds issued for municipal improvements and another portion are refunding bonds issued to refund outstanding, taxable Certificates of Participation, Series 2008C, which were issued for the construction of the private business use portion of the parking facility adjacent to the Convention Center. Principal and interest requirements are provided by appropriation in the year in which they become due.

Installment obligations outstanding at June 30, 2014 are comprised of the following individual issues:

	Governmental activities	Business-type activities
<p>\$37,020,000 Certificates of Participation, Series 2005A issued for construction of the Police Headquarters and the third phase of the Operations Center, improvements to the storm water system, and to refund \$6,360,000 of outstanding Series 1997 and \$1,835,000 of outstanding Series 1999B Certificates of Participation; principal payments due annually on June 1 in installments ranging from \$1,330,000 to \$1,925,000 through June 1, 2032; semiannual interest payments due June 1 and December 1 at rates from 4.3 to 5.0 percent.</p> <p style="margin-left: 20px;">Serviced by Debt Service Fund</p> <p style="margin-left: 20px;">Serviced by Storm Water Management Fund</p>	<p>\$ 25,830,000</p> <p style="margin-left: 20px;">-</p>	<p>\$ -</p> <p style="margin-left: 20px;">800,000</p>
<p>\$17,235,000 Certificates of Participation, Series 2006A issued to refund \$16,965,000 of outstanding Series 1999A Certificates of Participation; principal payments due annually on June 1 in installments ranging from \$1,010,000 to \$1,550,000 through June 1, 2024; semiannual interest payments due June 1 and December 1 at rates from 4.2 to 5.00 percent.</p> <p style="margin-left: 20px;">Serviced by Debt Service Fund</p>	<p>12,640,000</p>	<p>-</p>

CITY OF WILMINGTON, NORTH CAROLINA

**Notes to Financial Statements (Continued)
June 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

	<u>Governmental activities</u>	<u>Business-type activities</u>
<p>\$46,560,000 Certificates of Participation, Series 2008A issued for construction of the Convention Center; principal payments due annually on June 1 in installments ranging from \$1,010,000 to \$3,825,000 beginning June 1, 2017 through June 1, 2038; semiannual interest payments due June 1 and December 1 at rates from 4.00 to 5.00 percent.</p> <p>Serviced by Convention Center Fund</p>	<p>\$ 46,560,000</p>	<p>\$ -</p>
<p>\$7,190,000 Certificates of Participation, Series 2008B issued for construction of the public use portion of the parking deck adjacent to the Convention Center; principal payments due annually on June 1 in installments ranging from \$425,000 to \$700,000 beginning June 1, 2016 through June 1, 2028; annual interest payments due June 1 at a rate of 4.21 percent.</p> <p>Serviced by Convention Center Fund</p>	<p>7,190,000</p>	<p>-</p>
<p>\$4,600,000 Limited Obligation Bonds, Series 2010A issued for Thalian Hall renovations, Market Street bulkhead replacement and North Downtown streetscape improvements; principal payments due annually on June 1 in installments of \$1,150,000 through June 1, 2016; semiannual interest payments due June 1 and December 1 at rates from 3.0 to 4.0 percent.</p> <p>Serviced by Debt Service Fund</p>	<p>2,300,000</p>	<p>-</p>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

	Governmental activities	Business-type activities
<p>\$28,180,000 Limited Obligation Bonds, Series 2010B of which a portion is taxable Build America Bonds and a portion is taxable refunding bonds; issued for improvements to Empie Park Firestation, Front Street, North Riverwalk, and North Downtown streetscape; acquisition of property for a Downtown Multi-modal Transportation facility; the upgrade of existing analogue radios to digital; and to refund \$8,745,000 of outstanding, taxable Certificates of Participation, Series 2008C which were issued for the construction of the private business use portion of the parking facility adjacent to the Convention Center; principal payments due annually on June 1 in installments ranging from \$1,150,000 to \$1,590,000 through June 1, 2030; semiannual interest payments due June 1 and December 1 at rates from 3.41 to 6.33 percent.</p>		
Served by Debt Service Fund	\$ 19,270,000	\$ -
Served by Convention Center Fund	3,125,000	-
<p>\$30,695,000 Refunding Limited Obligated Bonds, Series 2012 issued to refund \$2,455,000 of outstanding Series 2001 and \$10,310,000 of outstanding Series 2008D installment purchase agreements and \$8,200,000 of outstanding Series 2003A and \$9,730,000 of outstanding Series 2004 Certificates of Participation; principal payments due annually on June 1 in installments ranging from \$530,000 to \$2,090,000 through June 1, 2030; Semiannual interest payments due on June 1 and December 1 at rates from 3.00 to 5.00 percent</p>		
Served by Debt Service Fund	21,438,000	-
Served by Parking Facilities Fund	-	5,277,000
	\$ 138,353,000	\$ 6,077,000
<p>Installment Obligations Served By:</p>		
Debt Service Fund	\$ 81,478,000	\$ -
Convention Center Fund	56,875,000	-
Storm Water Management Fund	-	800,000
Parking Facilities Fund	-	5,277,000
	\$ 138,353,000	\$ 6,077,000

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Installment Obligations (continued)

Annual debt service requirements to maturity for installment obligations are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 7,040,500	\$ 6,665,787	\$ 419,500	\$ 279,035
2016	7,552,000	6,396,204	413,000	265,250
2017	7,031,750	6,089,239	403,250	251,760
2018	7,350,000	5,775,815	400,000	234,880
2019	7,231,750	5,441,718	468,250	218,130
2020-2024	37,307,000	21,950,165	2,323,000	760,625
2025-2029	30,375,000	13,361,344	1,650,000	201,000
3030-2034	20,225,000	6,278,717	-	-
2035-2039	14,240,000	1,823,250	-	-
	<u>\$ 138,353,000</u>	<u>\$ 73,782,239</u>	<u>\$ 6,077,000</u>	<u>\$ 2,210,680</u>

In prior years, Certificates of Participation were issued to purchase two private water systems and were repaid from revenues of the ground water fund. In connection with the transfer of assets and liabilities of the City to the Cape Fear Public Utility Authority (CFPUA) on July 1, 2008, installment obligation annual debt service requirements of the former ground water fund continue to be obligations of the City and are reimbursed to the City by the CFPUA. Installment obligations outstanding at June 30, 2014 of the former groundwater fund are \$12,640,000.

Defeased Debt

The City has defeased certain Certificates of Participation by placing the proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased certificates are not included in the City's financial statements. At June 30, 2014, \$8,650,000 of outstanding certificates are considered defeased.

Other Long-Term Obligations

The City is financing the acquisition of certain equipment and real property for governmental activities through installment notes. All issues are tax-exempt with the exception of the October 2012 installment agreement issued for the acquisition of a portion of the Water Street Parking Deck. Principal and interest requirements are provided by appropriation in the year in which they become due.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other Long-Term Obligations (continued)

Other long-term obligations outstanding at June 30, 2014 are comprised of the following individual issues:

	Governmental activities	Business-Type activities
<p>\$12,000,000 installment agreement executed in June 2008 for development of parks; principal payments due annually on June 1 in 6 installments of \$500,000, 8 installments of \$725,000 and one installment of \$700,000 through June 1, 2029; semiannual interest payments due June 1 and December 1 at rates from 3.50 to 4.25 percent. This obligation is payable by interlocal agreement to New Hanover County and represents a portion of general obligation bonds issued by the County for park development.</p> <p style="padding-left: 40px;">Serviced by Debt Service Fund</p>	\$ 9,500,000	\$ -
<p>\$5,065,808 installment agreement executed in June 2010 for development of parks; principal payments due annually on June 1 in 14 installments of \$253,058, and 3 installments of \$254,610 through August 1, 2031; semiannual interest payments due August 1 and February 1 at rates from 2.94 to 5.00 percent. This obligation is payable by interlocal agreement to New Hanover County and represents a portion of general obligation bonds issued by the County for park development.</p> <p style="padding-left: 40px;">Serviced by Debt Service Fund</p>	4,306,634	-
<p>\$2,500,000 taxable installment agreement executed in October 2012 for the acquisition of a portion of the Water Street Parking Deck; principal payments due semiannually on April 9 and October 9 in installments of \$83,333 plus interest at 3.97 percent through October 9, 2027.</p> <p style="padding-left: 40px;">Serviced by Parking Facilities Fund</p>	-	2,250,000

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other Long-Term Obligations (continued)

	Governmental activities	Business-Type activities
\$949,150 installment agreement executed in June 2013 for a portion of the costs of a roll-out cart recycling program; principal payments due semiannually on June 1 and December 1 in installments of \$95,000 plus interest at 1.28 percent through June 1, 2018.		
Served by Solid Waste Management Fund	\$ -	\$ 760,000
	\$ 13,806,634	\$ 3,010,000
Other Long-Term Obligations Served By:		
Debt Service Fund	\$ 13,806,634	\$ -
Parking Facilities Fund	-	2,250,000
Solid Waste Management Fund	-	760,000
	\$ 13,806,634	\$ 3,010,000

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 753,058	\$ 563,025	\$ 356,667	\$ 96,791
2016	753,058	539,269	356,667	87,742
2017	753,058	512,997	356,667	78,694
2018	753,058	486,655	356,667	69,645
2019	753,058	457,798	166,667	61,204
2020-2024	4,665,285	1,762,910	833,333	206,771
2025-2029	4,866,840	729,640	583,333	46,316
3030-2034	509,219	25,461	-	-
	\$ 13,806,634	\$ 5,077,755	\$ 3,010,000	\$ 647,163

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Interest Rate Swap Agreement

Objective of the interest rate swap. As a means to lower its borrowing costs and increase its savings, when compared against fixed-rate refunding bonds at the time of issuance in February 2002; the City entered into a pay-fixed, receive variable interest rate swap in connection with its \$28,825,000 Variable Rate General Obligation Refunding Bonds, Series 2002. The intention of the swap agreement was to effectively change the City's interest rate on the bonds to a synthetic fixed rate of 3.815%. The swap is accounted for as a cash flow hedge and is determined to be effective using the synthetic instrument method.

Terms. The bonds and the related swap agreement mature on June 1, 2015 and the swap's notional amount of \$2,355,000 at June 30, 2014 matches the face amount of the variable-rate bonds. The swap was entered into at the same time the bonds were issued (February 2002). The notional value of the swap declines with the principal amount of the associated debt. Under the swap the City pays the counterparty a fixed payment of 3.815% and receives a variable payment computed at 67% of the LIBOR. Conversely, the bonds' variable-rate coupons are based on the actual float rate coupons marketed weekly.

Fair value. Because interest rates have declined since execution of the swap, the swap has an accumulated decrease in (negative) fair value of \$93,242 as of June 30, 2014 which is reported on the government-wide Statement of Net Position as a governmental activities derivative liability offset by a deferred outflow of resources. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the City's variable-rate bonds are adjusted every seven days to changing interest rates, the bonds do not have a corresponding fair value increase. The mark-to-market valuations were established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions.

Credit risk. As of June 30, 2014, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated A2 by Moody's Investors Service (Moody's), A by Standard and Poor's (S&P) and A by Fitch Ratings (Fitch). To mitigate the potential for credit risk, if the counterparty's credit quality falls to A1 by Moody's or A+ by either S&P or Fitch and their exposure exceeds \$5,000,000 the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third party custodian.

Basis risk. The swap exposes the City to basis risk should the relationship between LIBOR and the average rate paid on the floating rate coupon converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rates of 3.815% and the synthetic rate as of June 30, 2014 of 3.76%. As of June 30, 2014, the rate on the City's Bonds was .05% whereas 67% of LIBOR was .10%

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. An additional termination event occurs if the counterparty's credit rating falls below Baa1 (Moody's) or BBB+ (S&P and Fitch) by at least two of the rating agencies. The swap may be terminated by the City with 30 days notice and the counterparty can only terminate the swap if the City falls below BBB- with any of the three major rating services. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Interest Rate Swap Agreement (continued)

Swap payments and associated debt. Using rates as of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for the term of the bonds, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total
2015	\$ <u>2,355,000</u>	\$ <u>1,178</u>	\$ <u>87,460</u>	\$ <u>2,443,638</u>

In connection with the transfer of assets and liabilities of the City to the Cape Fear Public Utility Authority (CFPUA) on July 1, 2008, the interest rate swap agreement continues to be an obligation of the City and all payments required to be made by the City under the agreement are reimbursed to the City by the CFPUA.

The following is a summary of the City's derivative activity for the year ended June 30, 2014:

Governmental Activities:

Interest rate swaps:

Effective cash flow hedge:

	Notional Value June 30, 2014	Fair Value July 1, 2013	Additions	Reductions	Fair Value June 30, 2014
2002 pay-fixed, receive variable interest rate swap	\$ <u>2,355,000</u>	\$ <u>(284,174)</u>	\$ <u>190,932</u>	\$ <u>-</u>	\$ <u>(93,242)</u>

Other long-term liabilities disclosures

State statutes provide for a legal debt limit of 8% of the City's assessed value of taxable property. The City's legal debt limit as of June 30, 2014 amounts to \$1,053,344,449 resulting in a legal debt margin of \$867,212,815.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

LONG-TERM LIABILITIES (continued)

Other long-term liabilities disclosures (continued)

Changes in long-term liabilities for governmental activities during fiscal year 2014 were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
General obligation bonds	\$ 28,990,000	\$ 3,050,000	\$ (4,800,000)	\$ 27,240,000	\$ 4,390,000
Installment obligations	145,715,500	-	(7,362,500)	138,353,000	7,040,500
Other long-term obligations	14,559,692	-	(753,058)	13,806,634	753,058
Less deferred amounts:					
For issuance discount	(36,997)	-	-	(36,997)	-
Plus deferred amounts:					
For issuance premium	5,619,544	59,359	(604,675)	5,074,228	-
Compensated absences	6,063,832	4,546,174	(4,033,370)	6,576,636	4,319,312
Net pension obligation	827,282	557,532	(250,000)	1,134,814	-
Other postemployment benefits	<u>11,672,807</u>	<u>4,959,694</u>	<u>(1,214,077)</u>	<u>15,418,424</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$213,411,660</u>	<u>\$ 13,172,759</u>	<u>\$(19,017,680)</u>	<u>\$207,566,739</u>	<u>\$ 16,502,870</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$70,236 of internal service funds' compensated absences and \$218,272 in other postemployment benefits are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Changes in long-term liabilities for business-type activities during fiscal year 2014 were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Revenue bonds	\$ 11,680,000	\$ -	\$ (500,000)	\$ 11,180,000	\$ 520,000
Installment obligations	6,509,500	-	(432,500)	6,077,000	419,500
Other long-term obligations	3,365,817	-	(355,817)	3,010,000	356,667
Plus deferred amounts:					
For issuance premium	1,209,086	-	(100,461)	1,108,625	-
Compensated absences	509,037	610,430	(571,455)	548,012	352,401
Other postemployment benefits	<u>2,075,506</u>	<u>563,144</u>	<u>(91,192)</u>	<u>2,547,458</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 25,348,946</u>	<u>\$ 1,173,574</u>	<u>\$(2,051,425)</u>	<u>\$ 24,471,095</u>	<u>\$ 1,648,568</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES

The City entered into a three year contractual agreement beginning November 1, 2010 with SMG, LLP (SMG) for the operation of the City's Convention Center Facility (Center) for a management fee of \$100,000 per year; which was amended to extend the agreement until October 31, 2015. Under the agreement, the operations of the Center are maintained in a separate non-incorporated organization. Pursuit to the agreement, the revenue of the Center is to be placed in a separate account for the operation of the Center and all receipts are to be treated by SMG as if they are held in trust for the City. Additionally, the contract specifies that the cash and related assets held by SMG on behalf of the City are to be used for the operation, promotion and maintenance of the Center. The City records the net equity of the venture as a receivable on the City's books. The Center's primary operations are the rental of facility space for events and meetings and providing catering and other ancillary services as part of the scheduled events. The Center's principal source of revenues is rental charges and food and beverage sales. For the year ended June 30, 2014, the City paid \$107,568 for this service. The City's obligation for the year ending June 30, 2015 is \$109,829 and per the agreement the FY 2016 obligations will be adjusted based on the CPI-U-South Region index.

The City's Second Street, Market Street, Convention Center and Water Street Parking Decks, and the Second Street and Hannah Block parking lots are managed under a contract extension through January 2017 by an independent contractor. The contract also provides for the enforcement, maintenance and administration of on street parking. For the year ended June 30, 2014 the City paid \$1,152,969 for these services. The remaining contract extension costs plus Special Hourly Event Rates are \$1,154,217 for FY 2015, \$1,191,793 for FY 2016 and \$706,239 through January 2017.

The City entered into an incentive agreement in June 2005 with Pharmaceutical Product Development, Inc. (PPD) to provide incentive payments to the company in exchange for the company's commitment to construct, equip, and staff a facility in the City. The City's obligation under the agreement is \$125,000 per year for five years commencing in the sixth year following occupancy of the facility (2014 through 2018). In addition, the City agreed to provide up to \$4,000,000 in public infrastructure improvements in a designated redevelopment area that includes the company's new facility. The agreement had two thresholds: 1) PPD was required to make a direct investment in the facility of at least \$80 million and to provide 857 additional jobs by October 15th of 2013, the sixth year after occupancy; 2) PPD is required to provide, in the seventh through tenth years following occupancy (2015-2018), a total of 1,000 additional jobs and the direct investment must exceed \$80 million. The new jobs are in addition to the benchmark employment of 1,000 jobs that existed prior to the incentive agreement. The incentive agreement includes a reduced payment provision based on an unweighted average of direct investment and employment. PPD's first and second incentive payments were reduced due to employment thresholds and amounted to \$121,563 for fiscal year 2014 and \$115,250 for fiscal year 2015.

The City entered into an incentive agreement in July 2013 with Castle Branch, Inc. to provide incentive payments to the company in exchange for the company's commitment to construct, equip and staff its world headquarters in the City. Castle Branch is required to make a direct investment in the facility of at least \$9 million and to provide 400 new full time equivalent employees with an average annual compensation of \$35,000 per year by fiscal year 2019. The City's obligation under the agreement is \$50,000 per year for five years commencing when Castle Branch secures a Certificate of Occupancy and demonstrates that the minimum required levels of new full time employees have been hired and the minimum level of direct investment has been attained. The \$50,000 annual incentive is divided into two separate payments of: \$25,000 Direct Investment and \$25,000 New Full Time Equivalent Employees. No incentive payments were made in fiscal year 2014.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES (continued)

The City entered into an incentive agreement in November 2013 with Live Oak Bancshares, Inc. to provide incentive payments to the company in exchange for the company's commitment to construct, equip and staff a new facility in the City. Live Oak Bancshares is required to make a direct investment in the facility of at least \$16 million and to provide 120 new full time equivalent employees with an average annual compensation of \$80,000 per year by fiscal year 2019. The City's obligation under the agreement is \$50,000 per year for five years commencing when Live Oak Bancshares secures a Certificate of Occupancy and demonstrates that the minimum required levels of new full time employees have been hired and the minimum level of direct investment has been attained. The \$50,000 annual incentive is divided into two separate payments of: \$25,000 Direct Investment and \$25,000 New Full Time Equivalent Employees. No incentive payments were made in fiscal year 2014.

The Authority retains a transit management company to provide management and operational services for the public transportation system. For the year ended June 30, 2014, those services were provided under contract by First Transit, Inc. (FTI) who shall employ, furnish and supervise certain personnel necessary for the management and operation of the public transportation system. In addition, the agreement provides for assistance with certain other managerial functions required for the day-to-day operations of the Authority. For the year ended June 30, 2014, the Authority incurred management fees totaling \$373,926. During 2014, the contract with FTI was extended through June 30, 2016, and provides for minimum payments of \$377,665 and \$383,320 for the years ending June 30, 2015 and 2016, respectively.

Encumbrances are amounts needed to pay any commitment related to purchase orders and contracts that remain unperformed at year-end. The City's outstanding encumbrances at June 30, 2014 are as follows:

General Fund	\$ 433,065
Debt Service Fund	4,000
Special Purpose Fund	161,368
Streets and Sidewalks Fund	4,033,874
Building Improvements Fund	435,150
Solid Waste Management Fund	19,480
Storm Water Management Fund	1,624,308
Parking Facilities Fund	318,700
Nonmajor Governmental Funds	1,967,837
Nonmajor Golf Fund	565,895
Internal Service Funds	<u>3,291,800</u>
Total encumbrances	<u>\$ 12,855,477</u>

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

COMMITMENTS AND CONTINGENCIES (continued)

Jointly Governed Organizations

The City, in conjunction with New Hanover County, created the Cape Fear Public Utility Authority (CFPUA) to ensure the citizens of their localities the most reliable means of providing quality water and wastewater treatment. The City and New Hanover County each appoint five members and jointly appoint one member of the eleven-member board. The participating governments do not have any ongoing financial interest or ongoing financial responsibility, other than as disclosed in the long-term liability footnotes.

The City, in conjunction with Brunswick, Columbus and Pender Counties and the municipalities therein established the Cape Fear Council of Governments (Council). The Council was established for various purposes, but mainly to coordinate funding for federal and state assistance. Each participating government appoints a minimum of one member to the Council's board. The City paid fees of \$18,035 to the Council during the fiscal year ended June 30, 2014.

Related Organization

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

C. INTERFUND AND INTRA-ENTITY BALANCES AND ACTIVITY

The compositions of interfund and intra-entity balances as of June 30, 2014, are as follows:

	General Fund	Internal Service Funds	Governmental Activities
Receivable fund	\$ 835,767	\$ 212,300	\$ 742,300
Payable fund:			
Nonmajor Governmental Funds	\$ 305,767	\$ -	\$ -
Nonmajor Golf Fund	130,000	-	-
Component Unit	400,000	212,300	612,300
Business-type Activities	-	-	130,000
Total	\$ 835,767	\$ 212,300	\$ 742,300

The outstanding balances are from time lags between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS (continued)

C. INTERFUND BALANCES AND ACTIVITY (continued)

The General Fund provided an advance of \$130,000 to the Nonmajor Golf Fund in June 2014 for greens restoration. The advance is payable in equal annual installments over five years beginning in fiscal year 2015. The amount due within one year is \$26,000 and is therefore included in amounts due from / to other funds in the governmental funds balance sheet and the proprietary funds statement of net position.

The City provided an advance to the Authority of \$400,000 in April 2014 in accordance with the amended interlocal agreement between the City and the Authority as further described in Note 1.

Interfund transfers for the year ended June 30, 2014 were as follows:

	General Fund	Special Purpose Fund	Streets and Sidewalks Fund	Building Improvements Fund	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	Total	Governmental Activities Capital Assets
Transfers out	<u>\$15,493,145</u>	<u>\$ 131,372</u>	<u>\$ 1,285,023</u>	<u>\$ 6,157,003</u>	<u>\$1,901,707</u>	<u>\$ 1,451,162</u>	<u>\$ 32,115</u>	<u>\$ 26,451,527</u>	<u>\$ 7,412</u>
Transfers in:									
General Fund	\$ -	\$ 48,912	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ 148,912	\$ -
Special Purpose Fund	707,114	-	-	6,030,337	-	100,000	-	6,837,451	-
Streets and Sidewalks Fund	456,232	-	-	-	1,494,553	-	-	1,950,785	-
Building Improvements Fund	2,733,717	-	1,145,023	-	56,200	221,260	-	4,156,200	-
Debt Service Fund	9,334,832	-	-	-	-	-	-	9,334,832	-
Nonmajor Governmental Funds	6,250	82,460	140,000	26,666	90,000	319,720	-	665,096	-
Solid Waste Management Fund	1,775,000	-	-	-	-	-	-	1,775,000	-
Parking Facilities Fund	-	-	-	-	260,954	-	-	260,954	-
Nonmajor Golf Fund	-	-	-	-	-	810,182	-	810,182	-
Internal Service Funds	<u>480,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>480,000</u>	<u>7,412</u>
Total	<u>\$15,493,145</u>	<u>\$ 131,372</u>	<u>\$ 1,285,023</u>	<u>\$ 6,157,003</u>	<u>\$1,901,707</u>	<u>\$ 1,451,162</u>	<u>\$ -</u>	<u>\$ 26,419,412</u>	<u>\$ 7,412</u>
Governmental Activities Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,115</u>	<u>\$ 32,115</u>	

The City uses transfers to 1) move revenues from the fund in which state statute or budget requires the revenues to be collected to the fund from which state statute or budget requires the funds to be expended, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, 3) use unrestricted revenues collected in various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 4) move previous transfers to capital project funds back to the general fund as capital projects are cancelled in accordance with budgetary authorizations.

During the 2014 fiscal year, the City made a one-time transfer from the General Fund of \$1,775,000 to the Solid Waste Management Fund for debris removal following the February ice storm. Additionally during the fiscal year, the City closed the Convention Center capital project, accounted for in the Building Improvements Fund, and transferred \$6,030,337 of unspent proceeds and related interest earnings from certain installment obligations to the Convention Center Fund, a subfund of the Special Purpose Fund, in order to pay related debt service.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 4 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; and injuries to employees. The City has chosen to establish a risk financing fund for risks associated with the employees' health, dental and vision insurance plans. The risk financing fund is accounted for in the general fund where assets are set aside for claim settlements. In addition to premiums withheld from employees, premiums are paid into the general fund by other funds that incur claims and are available to pay claims, claim reserves and administrative costs of the programs. These interfund premiums are used to reduce the amount of claims expenditures reported in the general fund. As of June 30, 2014, such interfund premiums did not exceed reimbursable expenditures.

MEDICAL SELF-INSURANCE PROGRAM

The City has contracted with Blue Cross and Blue Shield of North Carolina to administer its group medical self-insurance program. In addition, the City has a contract with HM Life Insurance to provide for individual stop-loss above a specified amount which provides a method by which the group limits claims charged to its account. The specific stop-loss provides that during any one contract period the total accumulated claims expense paid for any one participant above \$175,000 will not be charged to the group during the remainder of that contract period for that participant.

As of June 30, 2014, the City has recorded a liability of \$280,499 for estimated unpaid claims in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2013</u>	<u>2014</u>
Unpaid claims, beginning	\$ 548,574	\$ 541,618
Incurred claims (including IBNRs)	7,853,856	6,840,882
Claim payments	<u>(7,860,812)</u>	<u>(7,102,001)</u>
Unpaid claims, ending, due within one year	<u>\$ 541,618</u>	<u>\$ 280,499</u>

DENTAL AND VISION SELF-INSURANCE PROGRAMS

As of June 30, 2014, the City is a self-insurer for group dental and vision insurance. The City has contracted with Blue Cross and Blue Shield of North Carolina to administer the dental program and Ameritas Life Insurance Corporation to administer the vision program. As of June 30, 2014, the City has recorded a liability of \$18,671 and \$3,348 for estimated unpaid claims for dental and vision, respectively in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 4 – RISK MANAGEMENT (continued)

DENTAL AND VISION SELF-INSURANCE PROGRAMS (continued)

Changes in the balances of dental claims liabilities during the past two fiscal years are as follows:

	2013	2014
Unpaid claims, beginning	\$ 21,536	\$ 18,920
Incurred claims (including IBNRs)	435,236	459,438
Claim payments	(437,852)	(459,687)
Unpaid claims, ending, due within one year	\$ 18,920	\$ 18,671

The amount of claims and payments associated with the City’s vision self-insurance program are not considered to be material to the financial statements.

WORKERS’ COMPENSATION SELF-INSURANCE PROGRAM

The City has contracted with Key Risk, Inc., a provider of claims administrative services, to administer its workers’ compensation and employers’ liability self-insurance program. The program provides that the City would be responsible for the first \$400,000 of cost and/or benefits payable to employees (other than public safety) resulting from any one accident or event, regardless of the number of persons injured. For public safety employees (police and fire), the City is responsible for the first \$750,000 of cost and/or benefits. Specific excess insurance would provide coverage above these dual self insured retentions (\$400,000/\$750,000) up to maximum limits provided under the North Carolina Workers’ Compensation Act and up to \$1,000,000 each accident or disease for employers’ liability. As of June 30, 2014, the City has recorded a liability of \$775,951 for estimated claims in accordance with the guidelines of GASB Statement No. 10, which requires that a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities include an amount for claims that have been incurred but not reported (IBNR) and are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	2013	2014
Unpaid claims, beginning	\$ 916,082	\$ 836,947
Incurred claims (including IBNRs)	1,128,973	1,640,354
Claim payments	(1,208,108)	(1,701,350)
Unpaid claims, ending, due within one year	\$ 836,947	\$ 775,951

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 4 – RISK MANAGEMENT (continued)

COMMERCIAL COVERAGES

The City carries flood insurance with a loss limit of \$5,000,000 on most properties subject to a \$100,000 deductible. Certain items of property are excluded from this coverage, such as the City's Riverwalk and the Wilmington Convention Center. A separate flood insurance policy is purchased for the Wilmington Convention Center through the National Flood Insurance Program; however, due to the flood zone in which the property is located, the policy limits loss from flooding on the facility to \$500,000 for building and \$500,000 for business personal property, subject to a \$25,000 deductible. As a result, the City has purchased an excess flood insurance policy providing an additional \$10,000,000 of coverage on the facility subject to a \$100,000 deductible.

The finance officer of the City is individually bonded for \$500,000. The tax collector, collection officer, and the billing and collection manager are individually bonded for \$100,000 each. The remaining employees that have access to funds are bonded under a blanket bond for \$1,000,000, with a \$25,000 retention.

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

DISCRETELY PRESENTED COMPONENT UNIT

The Authority 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 Authority obtains workers' compensation coverage up to the statutory limits through Key Risk Insurance Company, up to \$1 million in public officials liability through AIG, \$45,000 in property damage through Landmark American Insurance Company, \$2 million general liability through National Fire & Marine Insurance Company, up to \$1 million in auto coverage through National Indemnity Company, \$1 million personal and advertising injury per person or organization with aggregate limit of \$2 million through Essex, \$500,000 ERISA through Hiscox, and \$4 million commercial umbrella policy through Lexington Insurance Company. The Authority does not currently maintain flood insurance as none of its structural property is located in a flood plain.

In accordance with North Carolina General Statutes, the Authority's employees that have access to \$100 or more at any given time of the Authority's funds are performance bonded through a commercial surety bond. The Director of Finance is individually bonded for \$250,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. LITIGATION

The City is a party to a number of civil lawsuits and other legal actions, including a number of actions where the City's defense is being handled by the City's insurance carrier and any potential losses should be limited to the insurance policies' deductibles. There are also several claims for damages that have not yet resulted in litigation. In the opinion of the City attorney and management, the ultimate outcome of these claims is (a) not expected to have a significant impact on the City's financial position or (b) a reserve for estimated liabilities has been accrued on the financial statements.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 5 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES (continued)

A. LITIGATION (continued)

At June 30, 2014, the Authority was a party to various legal disputes and litigation. In the opinion of the Authority's management, the ultimate effect of these matters will not have a material adverse effect on the Authority's financial position.

B. FEDERAL AND STATE ASSISTANCE PROGRAMS

The City and the Authority have received proceeds from federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provisions for the refund of grant moneys have been made in the accompanying financial statements.

Also, under the terms of federal and State assistance programs, capital assets acquired partially or entirely with federal or State funds have disposition restrictions which provide for the disposition of assets or proceeds from an approved sale in accordance with federal or State regulations.

C. UNDERGROUND STORAGE TANK REMOVAL PROGRAM

The City has completed a program to remove and replace all underground storage tanks not in full compliance with current environmental regulations. In the opinion of the City attorney and management, any future actions required to be taken at these sites should not result in costs, which, in the aggregate, would have a material adverse effect on the City's financial statements.

D. ROOM OCCUPANCY AND TOURISM DEVELOPMENT TAX

New Hanover County and the City of Wilmington each levy a 3% room occupancy tax pursuant to state enabling legislation. Session Law 2006-167 modified earlier legislation and created the Wilmington Convention Center District. That legislation also amended the method of distribution of the tax beginning July 1, 2008. Effective July 1, 2008, taxes levied by New Hanover County derived from accommodations in the district and 100% of the tax levied by the City of Wilmington must be used for construction, financing, operation, promotion, and maintenance of the convention center. For the year ended June 30, 2014, the City recognized \$2,771,391 in tax revenue as result of the tax levy with a total of \$23,470,483 collected since the levy was enacted.

In accordance with Session Law 2002-139 Section 1.(e) as rewritten by Session Law 2006-167, the City of Wilmington must annually publish a detailed, audited report on its receipts and expenditures of the room occupancy tax proceeds during the preceding year. The text of the report must be included in the minutes of the City Council and placed on a public web site and must be made available in hard copy upon request. The City has included this required detailed report on its receipts and expenditures of the occupancy tax proceeds in the Supplemental Financial Data Section of this report.

The Special Purpose Fund accounts for all of the room occupancy tax authorized and received by the City and the operations of the Convention Center.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 6 – ANNEXATIONS

Under North Carolina General Statutes, cities may annex areas upon a receipt of a valid petition signed by the owners of all the real property located within such area. Since May of 2009 the Wilmington City Council has adopted three voluntary annexation ordinances: 1) 5000 River Road (1,358.717 acres), 2) 7910 Market Street (26.57 acres), and 3) 6469, 6501 and 6505 Gordon Road (9.99 acres). In addition, 4 tracts, totaling approximately 74 acres, were voluntarily annexed into the City by the North Carolina General Assembly, through Session Law 2012-138, effective July 1, 2012.

A 12.64 acre area, known as the Galleria, was deannexed from the Town of Wrightsville Beach and annexed into the City by the North Carolina General Assembly, through Session Law 2014-45, effective June 30, 2014. It is anticipated that a mixed use development consisting of residential, commercial, and office uses will be developed on the site.

NOTE 7 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

In July, 2014, the City issued \$21,565,000 tax exempt and \$2,310,000 taxable Limited Obligation Bonds to refund a portion of Series 2005A Certificates of Participation, maturing on June 1, 2016 through June 1, 2032. Of the \$26,630,000 outstanding, \$24,810,000 of Certificates of Participation were refunded resulting in a net present value savings of \$2,562,077. The City elected to take the maximum portion of the refunded savings over the first three years to apply to the City's other post-employment benefits outstanding liability. Principal payments on the tax exempt bonds are due annually in installments ranging from \$435,000 to \$1,485,000 beginning June 1, 2017 through June 1, 2032 and interest is due semiannually on June 1 and December 1 beginning December 1, 2014 at rates ranging from 3% to 5%. Principal payments on the taxable bonds are due annually in installments ranging from \$765,000 to \$780,000 beginning June 1, 2016 through June 1, 2018 and interest is due semiannually on June 1 and December 1 beginning December 1, 2014 at rates ranging from .9% to 2%. The City received ratings for the bonds of AA/AA+/Aa2 from Fitch, Standard and Poor's, and Moody's respectively.

In July, 2014, the City awarded a contract to Carolina Environmental Systems in the amount of \$2,997,000 for the purchase of 18 new low-entry cab, rear loader garbage packers to replace existing packers utilized by the City's solid waste management operation. The City took delivery of 4 packers in September 2015 and expects to receive the remaining 14 packers in December 2015. It is anticipated that an installment financing contract will be issued in fiscal year 2015 to reimburse the City for the purchase.

In accordance with the City's fiscal year 2015 adopted budget, a contribution was made in July 2014 to the Authority in a joint effort with New Hanover County (County) to help the Authority establish a fund balance. The minimum fund balance target for the Authority is \$631,287. The City and the County agreed to each provide 50% of the required funding over a two year period beginning in fiscal year 2015. The City's contribution for fiscal year 2015 was \$157,822.

In August, 2014, the City awarded a contract to Monteith Construction Corporation in the amount of \$3,403,000 for construction of a new fire station on Cinema Drive. The new station will be over 14,500 square feet and once completed will allow the City to close existing Station No. 3 (Princess Place Drive) and Station No. 4 (Wallace Drive). The property is strategically located to allow this new station, along with remaining existing stations, to provide the citizens of Wilmington with the same level of service currently provided while also updating aging facilities in stations that can accommodate today's larger fire trucks. Construction of the facility is anticipated to be completed in the fall of 2015.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued) June 30, 2014

NOTE 7 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS (continued)

In August, 2014, the City awarded a contract to Trader Construction in the amount of \$3,804,752 for the South Branch of Bradley Creek/Michelle Drive area drainage improvements. These improvements involve replacing major storm water drainage systems and stream restoration for part of the south branch of Bradley Creek. The improvements will help with flooding that occurs in the area during heavy rains. The improvements are anticipated to be completed in the fall of 2015.

On December 3, 2014, the City closed on sale of land to Harmony Hospitality, LLC for a hotel next to the Wilmington Convention Center. On February 5, 2014, the City Council approved the sale of the approximate 33,000-square-foot unimproved parcel to Harmony for \$578,820. The land sale was part of the Council's approval of a Purchase and Development Agreement that required Harmony to construct a 186-room, full-service Embassy Suites Hotel next to the existing Wilmington Convention Center. The \$33.6 million hotel will include a full-service restaurant, bar, pool and additional meeting space. Following the City Council's February approval of the Purchase and Development Agreement, Glenn Wells and Sotherly Hotels, Inc. sued, contending that the Purchase and Development Agreement violated a nearly decade old Consent Judgment. In June 2014, the Superior Court determined that no violation existed and that the Purchase and Development Agreement was in conformance with the 2006 Consent Judgment outlining how the Convention Center Hotel could be privately built. Despite the Superior Court's decision, in August 2014, Glenn Wells and Sotherly Hotels, Inc. appealed the lower court's ruling to the North Carolina Court of Appeals. The appeal is still pending.

In October 2014, the City received eight submissions in response to a request for proposals to redevelop the site of the Water Street parking deck. In May 2013, the city partnered with the Development Finance Initiative (DFI) to conduct a pre-development process that led to issuing a Request for Proposals for redevelopment of the site, using parameters determined by City Council. DFI and city staff will conduct independent reviews of the proposals before making a recommendation to Council. Recommended elements for the proposals include a mixed use project consisting of approximately 600-650 parking spaces in an above-ground deck, 175-225 residential units and 18,000-22,000 square feet of retail space.

City Council authorized a special bond referendum on November 4, 2014, to offer citizens the opportunity to vote on a \$44 million General Obligation Bond to help fund a \$55 million street and sidewalk capital improvement plan. Proposed projects include \$35 million of roadway improvements and \$20 million of bike and pedestrian improvements. On November 14, 2014, the New Hanover County Board of Elections certified the approval of the bonds by the Wilmington voters.

On December 10, 2014, the North Carolina Department of Public Safety approved the City's reimbursement request for \$1,539,325 related to expenditures incurred for the removal and disposal of storm debris resulting from the ice storms in February 2014.

NOTE 8 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The GASB has issued pronouncements prior to June 30, 2014 that have effective dates that may impact future financial presentations.

Management has not yet determined what, if any, impact implementation of the following statements may have on the financial statements of the City of Wilmington:

- GASB Statement Number 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27" will be effective for the City beginning with its year ending June 30, 2015.

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 8 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE (continued)

- GASB Statement Number 69, “Government Combinations and Disposals of Government Operations” will be effective for the City beginning with its year ending June 30, 2015.
- GASB Statement Number 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement Number 68)” will be effective for the City beginning with its year ending June 30, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION



W CITY OF
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CITY OF WILMINGTON, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12-31-04	550,848	2,622,109	2,071,261	21.01	9,267,628	22.35
12-31-05	609,627	2,612,495	2,002,868	23.34	9,838,179	20.36
12-31-06	695,700	2,820,805	2,125,105	24.66	11,201,563	18.97
12-31-07	814,144	3,296,724	2,482,580	24.70	11,869,396	20.92
12-31-08	943,789	3,610,441	2,666,652	26.14	12,906,080	20.66
12-31-09	1,028,307	5,486,794	4,458,487	18.74	12,927,568	34.49
12-31-10	1,061,763	4,850,927	3,789,164	21.89	12,578,412	30.12
12-31-11	1,082,005	5,344,760	4,262,755	20.24	12,940,528	32.94
12-31-12	1,035,723	5,667,108	4,631,385	18.28	12,955,959	35.75
12-31-13	1,008,605	6,165,191	5,156,586	16.36	13,372,683	38.56

CITY OF WILMINGTON, NORTH CAROLINA

**Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2005	279,828	89.6
2006	285,130	87.7
2007	266,626	93.8
2008	295,567	84.6
2009	344,666	72.5
2010	379,825	65.8
2011	561,233	44.5
2012	492,142	50.8
2013	543,485	46.0
2014	583,569	42.8

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12-31-2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	5.00%
Projected salary increases*	4.25% to 7.85%
*Includes inflation at	3.00%
Cost-of living adjustments	None

CITY OF WILMINGTON, NORTH CAROLINA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12-31-07	\$ -	\$ 32,968,282	\$ 32,968,282	- %	\$ 40,115,854	82.18 %
12-31-09	499,852	38,267,174	37,767,322	1.31	43,659,539	86.50
12-31-11	383,354	51,973,292	51,589,938	0.74	42,411,075	121.64
12-31-13	350,856	45,962,447	45,611,591	0.76	37,877,785	120.42

CITY OF WILMINGTON, NORTH CAROLINA

**Other Postemployment Benefits
Required Supplementary Information
Schedule of Employer Contributions**

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 3,477,479	54.0 %
2010	3,607,884	32.0
2011	3,792,520	35.4
2012	4,589,269	31.8
2013	5,737,392	24.4
2014	5,737,392	22.8

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12-31-2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount open
Remaining amortization period	30 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	4.00%
*Includes inflation at	3.00%
Medical cost trend rate	7.75% to 5.00%
Year of ultimate trend rate	2019

**COMBINING & INDIVIDUAL
FUND STATEMENTS TAB (FRONT)**

**COMBINING & INDIVIDUAL
FUND STATEMENTS TAB (BACK)**

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Balance Sheet -
Nonmajor Governmental Funds**

June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents/investments	\$ 854,323	\$ 1,297,407	\$ 2,151,730
Other receivables	289	471	760
Due from other governments	255,841	174,737	430,578
Assets held for resale	39,414	-	39,414
Notes receivable	17,194,557	-	17,194,557
Prepays	9,879	-	9,879
Restricted assets:			
Cash and cash equivalents	15,235	-	15,235
Other receivables	6	-	6
Due from other governments	<u>83,646</u>	<u>2,283,739</u>	<u>2,367,385</u>
Total assets	<u>\$ 18,453,190</u>	<u>\$ 3,756,354</u>	<u>\$ 22,209,544</u>
 LIABILITIES			
Accounts payable	\$ 35,741	\$ 71,701	\$ 107,442
Due to other funds	227,116	78,651	305,767
Accrued liabilities	26,259	-	26,259
Customer and escrow deposits	295,874	-	295,874
Restricted liabilities:			
Accounts payable	<u>-</u>	<u>131,896</u>	<u>131,896</u>
Total liabilities	<u>584,990</u>	<u>282,248</u>	<u>867,238</u>
 DEFERRED INFLOWS OF RESOURCES	<u>21,694</u>	<u>-</u>	<u>21,694</u>
 FUND BALANCES			
Non Spendable:			
Prepays	9,879	-	9,879
Restricted:			
Stabilization by State statute	853,685	3,430,029	4,283,714
Community development loans	17,839,207	-	17,839,207
Public safety	98,887	-	98,887
Committed:			
Capital projects	-	122,728	122,728
Unassigned (deficit)	<u>(955,152)</u>	<u>(78,651)</u>	<u>(1,033,803)</u>
Total fund balances	<u>17,846,506</u>	<u>3,474,106</u>	<u>21,320,612</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,453,190</u>	<u>\$ 3,756,354</u>	<u>\$ 22,209,544</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Balance Sheet -
Nonmajor Special Revenue Funds**

June 30, 2014

	Community Development Fund	Home Investment Partnership Fund	Rental Rehabilitation Loan Fund	Commercial Loan Fund	Rehabilitation Loan Fund
ASSETS					
Cash and cash equivalents/investments	\$ 14,166	\$ 2,214	\$ 60,352	\$ -	\$ 297,257
Other receivables	-	-	22	-	94
Due from other governments	226,343	29,498	-	-	-
Assets held for resale	-	-	-	-	39,414
Notes receivable	-	7,400,600	142,800	995,203	3,033,284
Prepays	8,544	1,335	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 249,053</u>	<u>\$ 7,433,647</u>	<u>\$ 203,174</u>	<u>\$ 995,203</u>	<u>\$ 3,370,049</u>
LIABILITIES					
Accounts payable	\$ 28,725	\$ -	\$ -	\$ -	\$ 432
Due to other funds	197,618	29,498	-	-	-
Accrued liabilities	22,710	3,549	-	-	-
Customer and escrow deposits	<u>-</u>	<u>91,528</u>	<u>1,256</u>	<u>60</u>	<u>117,368</u>
Total liabilities	<u>249,053</u>	<u>124,575</u>	<u>1,256</u>	<u>60</u>	<u>117,800</u>
DEFERRED INFLOWS OF RESOURCES					
	<u>-</u>	<u>-</u>	<u>270</u>	<u>-</u>	<u>625</u>
FUND BALANCES					
Non Spendable:					
Prepays	8,544	1,335	-	-	-
Restricted:					
Stabilization by State statute	482,951	370,734	-	-	-
Community development loans	-	7,400,600	201,648	995,203	3,251,624
Public safety	-	-	-	-	-
Unassigned (deficit)	<u>(491,495)</u>	<u>(463,597)</u>	<u>-</u>	<u>(60)</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>7,309,072</u>	<u>201,648</u>	<u>995,143</u>	<u>3,251,624</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 249,053</u>	<u>\$ 7,433,647</u>	<u>\$ 203,174</u>	<u>\$ 995,203</u>	<u>\$ 3,370,049</u>

CDBG HOP Loan Fund	GF HOP Loan Fund	Economic Development Loan Fund	Firemen's Relief Fund	Total Nonmajor Special Revenue Funds
\$ 20,321	\$ 283,328	\$ 176,685	\$ -	\$ 854,323
7	102	64	-	289
-	-	-	-	255,841
-	-	-	-	39,414
2,157,307	3,341,518	123,845	-	17,194,557
-	-	-	-	9,879
-	-	-	15,235	15,235
-	-	-	6	6
-	-	-	83,646	83,646
<u>\$ 2,177,635</u>	<u>\$ 3,624,948</u>	<u>\$ 300,594</u>	<u>\$ 98,887</u>	<u>\$ 18,453,190</u>
\$ 63	\$ 6,290	\$ 231	\$ -	\$ 35,741
-	-	-	-	227,116
-	-	-	-	26,259
<u>8,133</u>	<u>77,529</u>	<u>-</u>	<u>-</u>	<u>295,874</u>
<u>8,196</u>	<u>83,819</u>	<u>231</u>	<u>-</u>	<u>584,990</u>
<u>-</u>	<u>605</u>	<u>20,194</u>	<u>-</u>	<u>21,694</u>
-	-	-	-	9,879
-	-	-	-	853,685
2,169,439	3,540,524	280,169	-	17,839,207
-	-	-	98,887	98,887
-	-	-	-	(955,152)
<u>2,169,439</u>	<u>3,540,524</u>	<u>280,169</u>	<u>98,887</u>	<u>17,846,506</u>
<u>\$ 2,177,635</u>	<u>\$ 3,624,948</u>	<u>\$ 300,594</u>	<u>\$ 98,887</u>	<u>\$ 18,453,190</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Balance Sheet -
Nonmajor Capital Projects Funds**

June 30, 2014

	Parks and Recreation Fund	Public Improvements Fund	Total Nonmajor Capital Projects Funds
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents/investments	\$ 1,297,407	\$ -	\$ 1,297,407
Other receivables	471	-	471
Due from other governments	72,106	102,631	174,737
Restricted assets:			
Due from other governments	<u>2,283,739</u>	<u>-</u>	<u>2,283,739</u>
Total assets	<u>\$ 3,653,723</u>	<u>\$ 102,631</u>	<u>\$ 3,756,354</u>
LIABILITIES			
Accounts payable	\$ 71,701	\$ -	\$ 71,701
Due to other funds	-	78,651	78,651
Restricted liabilities:			
Accounts payable	<u>131,896</u>	<u>-</u>	<u>131,896</u>
Total liabilities	<u>203,597</u>	<u>78,651</u>	<u>282,248</u>
FUND BALANCES			
Restricted:			
Stabilization by State statute	3,327,398	102,631	3,430,029
Committed:			
Capital projects	122,728	-	122,728
Unassigned (deficit)	<u>-</u>	<u>(78,651)</u>	<u>(78,651)</u>
Total fund balances	<u>3,450,126</u>	<u>23,980</u>	<u>3,474,106</u>
Total liabilities and fund balances	<u>\$ 3,653,723</u>	<u>\$ 102,631</u>	<u>\$ 3,756,354</u>

CITY OF WILMINGTON, NORTH CAROLINA

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

Year Ended June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Restricted intergovernmental	\$ 1,180,085	\$ 430,059	\$ 1,610,144
Investment earnings	6,781	4,805	11,586
Donations	-	33,106	33,106
Miscellaneous	<u>97,411</u>	<u>-</u>	<u>97,411</u>
Total revenues	<u>1,284,277</u>	<u>467,970</u>	<u>1,752,247</u>
Expenditures:			
General government	94,334	-	94,334
Public safety	111,627	249,733	361,360
Economic and physical development	759,137	-	759,137
Cultural and recreational	<u>-</u>	<u>1,076,627</u>	<u>1,076,627</u>
Total expenditures	<u>965,098</u>	<u>1,326,360</u>	<u>2,291,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>319,179</u>	<u>(858,390)</u>	<u>(539,211)</u>
Other financing sources (uses):			
Transfers from other funds	402,180	262,916	665,096
Transfers to other funds	<u>(419,720)</u>	<u>(1,031,442)</u>	<u>(1,451,162)</u>
Total other financing uses	<u>(17,540)</u>	<u>(768,526)</u>	<u>(786,066)</u>
Net change in fund balances	301,639	(1,626,916)	(1,325,277)
Fund balances at beginning of year	<u>17,544,867</u>	<u>5,101,022</u>	<u>22,645,889</u>
Fund balances at end of year	<u>\$ 17,846,506</u>	<u>\$ 3,474,106</u>	<u>\$ 21,320,612</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Special Revenue Funds**

Year Ended June 30, 2014

	Community Development Fund	Home Investment Partnership Fund	Rental Rehabilitation Loan Fund	Commercial Loan Fund	Rehabilitation Loan Fund
Revenues:					
Restricted intergovernmental	\$ 926,434	\$ 253,651	\$ -	\$ -	\$ -
Investment earnings	-	-	258	-	1,859
Miscellaneous	-	6,744	1,452	-	1,235
Total revenues	<u>926,434</u>	<u>260,395</u>	<u>1,710</u>	<u>-</u>	<u>3,094</u>
Expenditures:					
General government	68,194	26,140	-	-	-
Public safety	-	-	-	-	-
Economic and physical development	<u>555,642</u>	<u>168,626</u>	<u>-</u>	<u>-</u>	<u>27,243</u>
Total expenditures	<u>623,836</u>	<u>194,766</u>	<u>-</u>	<u>-</u>	<u>27,243</u>
Excess (deficiency) of revenues over (under) expenditures	<u>302,598</u>	<u>65,629</u>	<u>1,710</u>	<u>-</u>	<u>(24,149)</u>
Other financing sources (uses):					
Transfers from other funds	6,958	85,086	-	-	37,451
Transfers to other funds	<u>(309,556)</u>	<u>(580)</u>	<u>(5,850)</u>	<u>(1,108)</u>	<u>(2,626)</u>
Total other financing sources (uses)	<u>(302,598)</u>	<u>84,506</u>	<u>(5,850)</u>	<u>(1,108)</u>	<u>34,825</u>
Net change in fund balances	-	150,135	(4,140)	(1,108)	10,676
Fund balances at beginning of year	<u>-</u>	<u>7,158,937</u>	<u>205,788</u>	<u>996,251</u>	<u>3,240,948</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ 7,309,072</u>	<u>\$ 201,648</u>	<u>\$ 995,143</u>	<u>\$ 3,251,624</u>

CDBG HOP Loan Fund	GF HOP Loan Fund	Economic Development Loan Fund	Firemen's Relief Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,180,085
607	2,144	1,465	448	6,781
<u>164</u>	<u>263</u>	<u>3,907</u>	<u>83,646</u>	<u>97,411</u>
<u>771</u>	<u>2,407</u>	<u>5,372</u>	<u>84,094</u>	<u>1,284,277</u>
-	-	-	-	94,334
-	-	-	111,627	111,627
<u>-</u>	<u>7,626</u>	<u>-</u>	<u>-</u>	<u>759,137</u>
<u>-</u>	<u>7,626</u>	<u>-</u>	<u>111,627</u>	<u>965,098</u>
<u>771</u>	<u>(5,219)</u>	<u>5,372</u>	<u>(27,533)</u>	<u>319,179</u>
272,685	-	-	-	402,180
<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(419,720)</u>
<u>272,685</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(17,540)</u>
273,456	(5,219)	(94,628)	(27,533)	301,639
<u>1,895,983</u>	<u>3,545,743</u>	<u>374,797</u>	<u>126,420</u>	<u>17,544,867</u>
<u>\$ 2,169,439</u>	<u>\$ 3,540,524</u>	<u>\$ 280,169</u>	<u>\$ 98,887</u>	<u>\$ 17,846,506</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Capital Projects Funds**

Year Ended June 30, 2014

	Parks and Recreation Fund	Public Improvements Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Restricted intergovernmental	\$ 215,499	\$ 214,560	\$ 430,059
Investment earnings	4,805	-	4,805
Donations	33,106	-	33,106
Total revenues	<u>253,410</u>	<u>214,560</u>	<u>467,970</u>
Expenditures:			
Public safety	-	249,733	249,733
Cultural and recreational	1,076,627	-	1,076,627
Total expenditures	<u>1,076,627</u>	<u>249,733</u>	<u>1,326,360</u>
Excess of expenditures over revenues	<u>(823,217)</u>	<u>(35,173)</u>	<u>(858,390)</u>
Other financing sources (uses):			
Transfers from other funds	256,666	6,250	262,916
Transfers to other funds	(1,031,442)	-	(1,031,442)
Total other financing sources (uses)	<u>(774,776)</u>	<u>6,250</u>	<u>(768,526)</u>
Net change in fund balances	(1,597,993)	(28,923)	(1,626,916)
Fund balances at beginning of year	<u>5,048,119</u>	<u>52,903</u>	<u>5,101,022</u>
Fund balances at end of year	<u>\$ 3,450,126</u>	<u>\$ 23,980</u>	<u>\$ 3,474,106</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Fiduciary Net Position -
Pension Trust Funds**

June 30, 2014

	Law Enforcement Officers' Pension Trust Fund	Other Postemployment Benefits	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 851,606	\$ -	\$ 851,606
Investments:			
North Carolina Capital Management Trust, Cash Portfolio	-	349,524	349,524
North Carolina Capital Management Trust, Term Portfolio	69,159	-	69,159
U.S. Government Agencies	205,347	-	205,347
Other receivables	<u>406</u>	<u>-</u>	<u>406</u>
Total assets	<u>1,126,518</u>	<u>349,524</u>	<u>1,476,042</u>
LIABILITIES			
Accounts payable	<u>-</u>	<u>675</u>	<u>675</u>
NET POSITION			
Restricted for pension and other postemployment benefits	<u>\$ 1,126,518</u>	<u>\$ 348,849</u>	<u>\$ 1,475,367</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Changes in Fiduciary Net Position -
Pension Trust Funds**

Year Ended June 30, 2014

	Law Enforcement Officers' Pension Trust Fund	Other Postemployment Benefits Trust Fund	Total Pension Trust Funds
	<u> </u>	<u> </u>	<u> </u>
Additions:			
Contributions:			
Employer	\$ 250,000	\$ 1,305,269	\$ 1,555,269
Plan members	-	338,335	338,335
Total contributions	<u>250,000</u>	<u>1,643,604</u>	<u>1,893,604</u>
Investment earnings	<u>5,616</u>	<u>34</u>	<u>5,650</u>
Total additions	<u>255,616</u>	<u>1,643,638</u>	<u>1,899,254</u>
Deductions:			
Benefits	267,435	1,490,288	1,757,723
Administrative expense	-	156,015	156,015
Total deductions	<u>267,435</u>	<u>1,646,303</u>	<u>1,913,738</u>
Change in net position	(11,819)	(2,665)	(14,484)
Net position at beginning of year	<u>1,138,337</u>	<u>351,514</u>	<u>1,489,851</u>
Net position at end of year	<u>\$ 1,126,518</u>	<u>\$ 348,849</u>	<u>\$ 1,475,367</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Changes in Assets and Liabilities -
Agency Funds**

Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
CHDO Proceeds Fund				
Assets:				
Cash and cash equivalents	\$ 179,509	\$ 71,143	\$ 19,945	\$ 230,707
Investments:				
North Carolina Capital Management Trust, Term Portfolio	18,526	210	-	18,736
U.S. Government Agencies	116,366	7,480	68,216	55,630
Other receivables	<u>109</u>	<u>110</u>	<u>109</u>	<u>110</u>
Total assets	<u>\$ 314,510</u>	<u>\$ 78,943</u>	<u>\$ 88,270</u>	<u>\$ 305,183</u>
Liabilities:				
Accounts payable	\$ 56	\$ -	\$ 56	\$ -
Escrow funds and deposits	<u>314,454</u>	<u>3,037</u>	<u>12,308</u>	<u>305,183</u>
Total liabilities	<u>\$ 314,510</u>	<u>\$ 3,037</u>	<u>\$ 12,364</u>	<u>\$ 305,183</u>
Law Enforcement Seizure Fund				
Assets:				
Cash and cash equivalents	<u>\$ 175,488</u>	<u>\$ 44,431</u>	<u>\$ 7,092</u>	<u>\$ 212,827</u>
Liabilities:				
Escrow funds and deposits	<u>\$ 175,488</u>	<u>\$ 44,431</u>	<u>\$ 7,092</u>	<u>\$ 212,827</u>
Totals - All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 354,997	\$ 115,574	\$ 27,037	\$ 443,534
Investments:				
North Carolina Capital Management Trust, Term Portfolio	18,526	210	-	18,736
U.S. Government Agencies	116,366	7,480	68,216	55,630
Other receivables	<u>109</u>	<u>110</u>	<u>109</u>	<u>110</u>
Total assets	<u>\$ 489,998</u>	<u>\$ 123,374</u>	<u>\$ 95,362</u>	<u>\$ 518,010</u>
Liabilities:				
Accounts payable	\$ 56	\$ -	\$ 56	\$ -
Escrow funds and deposits	<u>489,942</u>	<u>47,468</u>	<u>19,400</u>	<u>518,010</u>
Total liabilities	<u>\$ 489,998</u>	<u>\$ 47,468</u>	<u>\$ 19,456</u>	<u>\$ 518,010</u>

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GENERAL FUND TAB (FRONT)

GENERAL FUND TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

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

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes:				
Current year	\$ 50,813,720	\$ 51,912,712	\$ 1,098,992	\$ 50,011,705
Prior years	704,158	675,922	(28,236)	714,083
Penalties and interest	170,000	258,936	88,936	217,310
Total	<u>51,687,878</u>	<u>52,847,570</u>	<u>1,159,692</u>	<u>50,943,098</u>
Other taxes:				
Local option sales tax	18,084,000	19,168,840	1,084,840	17,384,331
Franchise tax	6,464,780	6,120,923	(343,857)	5,985,128
Video programming sales tax	1,511,855	1,397,010	(114,845)	1,404,639
Rental vehicle tax	170,000	224,043	54,043	233,079
Total	<u>26,230,635</u>	<u>26,910,816</u>	<u>680,181</u>	<u>25,007,177</u>
Unrestricted intergovernmental:				
Beer and wine	465,090	479,813	14,723	437,407
ABC revenue	900,000	1,255,592	355,592	1,155,556
Court fees	47,000	36,476	(10,524)	34,661
Total	<u>1,412,090</u>	<u>1,771,881</u>	<u>359,791</u>	<u>1,627,624</u>
Restricted intergovernmental:				
Powell bill	2,796,900	2,889,182	92,282	2,832,661
PEG channel support	30,000	31,846	1,846	31,409
Categorical grants:				
Transportation	-	(7,300)	(7,300)	375,727
Hurricane disaster assistance	-	-	-	24,119
Other	209,860	222,323	12,463	190,264
Total	<u>3,036,760</u>	<u>3,136,051</u>	<u>99,291</u>	<u>3,454,180</u>
Licenses and permits:				
Privilege licenses	1,824,320	2,346,737	522,417	2,262,221
Motor vehicle licenses	365,444	515,291	149,847	356,947
Other permits and fees	252,985	230,707	(22,278)	189,166
Total	<u>2,442,749</u>	<u>3,092,735</u>	<u>649,986</u>	<u>2,808,334</u>

CITY OF WILMINGTON, NORTH CAROLINA

**General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
Revenues: (continued)				
Sales and services:				
Recreation department sales and service	\$ 628,092	\$ 774,576	\$ 146,484	\$ 722,590
Other departmental charges	1,993,912	1,742,790	(251,122)	1,908,741
Total	2,622,004	2,517,366	(104,638)	2,631,331
Fines and forfeits:				
Fire code violations	7,500	4,300	(3,200)	300
False alarm citations	60,000	169,042	109,042	102,221
Civil citations	51,200	80,370	29,170	39,620
Total	118,700	253,712	135,012	142,141
Interest earnings:				
Investment earnings	69,032	179,217	110,185	152,408
Net decrease in fair value of investments	-	-	-	(217,605)
Interest on liens	-	2,255	2,255	2,003
Total	69,032	181,472	112,440	(63,194)
Miscellaneous:				
Sale of real estate, equipment and material	-	150	150	25,453
Rents	116,750	184,424	67,674	164,474
Other	61,450	203,106	141,656	148,956
Total	178,200	387,680	209,480	338,883
 Total revenues	 87,798,048	 91,099,283	 3,301,235	 86,889,574
Expenditures:				
General government:				
City Council and Clerk		361,523		351,984
City Manager		1,253,142		1,197,906
City Attorney		756,153		786,230
Human Resource Management		677,101		594,493
Finance		1,766,266		1,761,915
Information Technology Services		2,071,672		1,984,923
Contributions to other agencies		989,182		873,109
Nondepartmental		3,113,694		3,194,889
Total	12,988,766	10,988,733	2,000,033	10,745,449

CITY OF WILMINGTON, NORTH CAROLINA

**General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Expenditures: (continued)				
Public safety:				
Police		\$ 25,983,207		\$ 24,018,501
Fire		15,072,451		14,693,046
Total	\$ 42,867,803	41,055,658	\$ 1,812,145	38,711,547
Transportation:				
Development Services		1,403,325		1,319,063
Public Services		4,487,482		4,339,073
Traffic engineering		3,358,948		3,637,577
Streets		1,940,529		1,714,521
Storm water management fee		1,912,915		1,764,682
Total	14,193,842	13,103,199	1,090,643	12,774,916
Cultural and recreational:				
Community Services		1,182,550		1,072,373
Parks and recreation		5,415,743		5,190,624
Total	7,270,813	6,598,293	672,520	6,262,997
Transit system:				
Cape Fear Public Transportation Authority	1,285,000	1,285,000	-	1,296,849
Total expenditures	78,606,224	73,030,883	5,575,341	69,791,758
Excess of revenues over expenditures	9,191,824	18,068,400	8,876,576	17,097,816
Other financing sources (uses):				
Operating transfer - in:				
Special Purpose Fund	48,912	48,912	-	-
Building Improvements Fund	100,000	100,000	-	50,199
Total operating transfers - in	148,912	148,912	-	50,199
Operating transfers - out:				
Debt Service Fund	(9,334,832)	(9,334,832)	-	(9,334,832)
Special Purpose Fund	(753,010)	(707,114)	45,896	(587,444)
CDBG/Home Administration Fund	(249,068)	(165,778)	83,290	(161,944)
Streets and Sidewalks Fund	(456,232)	(456,232)	-	-
Parks and Recreation Fund	-	-	-	(61,435)
Building Improvements Fund	(2,733,717)	(2,733,717)	-	-

CITY OF WILMINGTON, NORTH CAROLINA

**General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Other financing sources (uses): (continued)				
Operating transfers - out: (continued)				
Public Improvements Fund	\$ (6,250)	\$ (6,250)	\$ -	\$ (28,316)
Solid Waste Management Fund	(1,775,000)	(1,775,000)	-	-
Personal Computer Replacement Fund	(480,000)	(480,000)	-	(480,000)
Total operating transfers - out	<u>(15,788,109)</u>	<u>(15,658,923)</u>	<u>129,186</u>	<u>(10,653,971)</u>
Appropriated fund balance	<u>6,447,373</u>	-	<u>(6,447,373)</u>	-
Total other financing uses	<u>(9,191,824)</u>	<u>(15,510,011)</u>	<u>(6,318,187)</u>	<u>(10,603,772)</u>
Net change in fund balance	<u>\$ -</u>	2,558,389	<u>\$ 2,558,389</u>	6,494,044
Fund balance at beginning of year		43,457,091		36,891,610
Change in reserve for inventories		<u>19,257</u>		<u>71,437</u>
Fund balance at end of year		<u>\$ 46,034,737</u>		<u>\$ 43,457,091</u>
A portion of a legally budgeted CDBG/HOME Grant and Administration Fund is consolidated into the General Fund for reporting purposes:				
Transfer from General Fund		165,778		161,944
General government expenditures		(73,044)		(23,819)
Economic and physical development expenditures		(92,734)		(138,125)
Fund balance at beginning of year		-		-
Fund balance at end of year		<u>\$ 46,034,737</u>		<u>\$ 43,457,091</u>

SPECIAL REVENUE FUNDS TAB (FRONT)

SPECIAL REVENUE FUNDS TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Special Purpose Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Actual Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Taxes:					
Room occupancy tax	\$ 21,228,627	\$ 20,699,092	\$ 2,771,391	\$ 23,470,483	\$ 2,241,856
Restricted intergovernmental:					
Federal grants	6,887,636	6,604,707	758,235	7,362,942	475,306
State grants	4,833,706	3,060,546	519,325	3,579,871	(1,253,835)
Other governments	1,249,112	892,192	308,204	1,200,396	(48,716)
Total restricted intergovernmental	<u>12,970,454</u>	<u>10,557,445</u>	<u>1,585,764</u>	<u>12,143,209</u>	<u>(827,245)</u>
Investment earnings:					
Investment earnings	330,382	1,877,325	34,138	1,911,463	1,581,081
Net decrease in fair value of investments	-	(42,455)	-	(42,455)	(42,455)
Total investment earnings	<u>330,382</u>	<u>1,834,870</u>	<u>34,138</u>	<u>1,869,008</u>	<u>1,538,626</u>
Donations	<u>295,146</u>	<u>171,572</u>	<u>13,533</u>	<u>185,105</u>	<u>(110,041)</u>
Miscellaneous:					
Red light traffic cameras	5,124,161	4,132,144	909,201	5,041,345	(82,816)
Other program income	542,353	652,175	27,594	679,769	137,416
Sale of Property	25,234	48,704	-	48,704	23,470
Total miscellaneous	<u>5,691,748</u>	<u>4,833,023</u>	<u>936,795</u>	<u>5,769,818</u>	<u>78,070</u>
Total revenues	<u>40,516,357</u>	<u>38,096,002</u>	<u>5,341,621</u>	<u>43,437,623</u>	<u>2,921,266</u>
Expenditures:					
General government projects:					
LEAP energy assurance - ARRA	<u>200,000</u>	<u>199,806</u>	-	<u>199,806</u>	194
Public safety projects:					
Governors Highway Safety Program	685,736	417,932	6,206	424,138	261,598
Bulletproof vest partnership	116,786	78,310	32,011	110,321	6,465
Project safe neighborhoods	72,639	70,867	-	70,867	1,772
Regional response team	352,933	327,686	25,000	352,686	247
Gang resistance and intervention	874,883	644,547	-	644,547	230,336
Santa cop program	1,125	750	-	750	375
SABLE-Helicopter unit	851,384	589,780	180,483	770,263	81,121
Building futures	198,164	198,163	-	198,163	1
Federal forfeiture - SABLE	1,160,075	992,728	91,798	1,084,526	75,549
Gang Violence Prevention	66,666	59,134	-	59,134	7,532
Vocational pathways - KMI	241,235	240,735	-	240,735	500
JAG-equipment/NHC - ARRA	602,939	602,618	-	602,618	321
COPS hiring - ARRA	2,005,809	1,680,836	-	1,680,836	324,973
JAG-DNA database	146,531	143,096	-	143,096	3,435

CITY OF WILMINGTON, NORTH CAROLINA

**Special Purpose Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures: (continued)					
Public safety projects: (continued)					
COPS equipment - ARRA	\$ 40,000	\$ 27,743	\$ -	\$ 27,743	\$ 12,257
Criminal justice improvement	112,594	94,850	-	94,850	17,744
JAG part-time chemist	132,779	123,291	7,056	130,347	2,432
Second chance reentry	300,000	270,371	-	270,371	29,629
COPS technology program	315,000	315,000	-	315,000	-
Port security program	270,510	270,510	-	270,510	-
Integrated risk management	28,750	22,252	-	22,252	6,498
Protective order enforcement team	124,047	67,675	-	67,675	56,372
Domestic Enforcement Wilm	234,864	73,498	98,125	171,623	63,241
Firefighter Assistance - FEMA	25,400	-	22,703	22,703	2,697
Cop camp	7,823	6,373	-	6,373	1,450
Federal forfeiture	1,567,372	1,389,635	145,263	1,534,898	32,474
North Carolina drug tax	537,925	370,183	161,526	531,709	6,216
Court judgments	14,451	14,450	-	14,450	1
Project ASSIST	1,000	1,000	-	1,000	-
Total public safety	11,089,420	9,094,013	770,171	9,864,184	1,225,236
Transportation projects:					
Metropolitan Planning	980,369	17,125	702,593	719,718	260,651
Red light traffic cameras	7,339,474	5,697,620	1,279,985	6,977,605	361,869
Fit community initiative	61,550	50,263	-	50,263	11,287
NCDOT Study Pender County	100,000	100,000	-	100,000	-
Eat smart move more	14,300	12,246	-	12,246	2,054
Safe kids USA	25,000	13,314	-	13,314	11,686
Physical activity built community	24,999	23,741	-	23,741	1,258
Greenway plan	200,000	200,000	-	200,000	-
Total transportation	8,745,692	6,114,309	1,982,578	8,096,887	648,805
Economic and physical development projects:					
Lead hazard control	382,880	49,553	25,095	74,648	308,232
Urgent repair grant	75,000	70,989	-	70,989	4,011
Homeless plan (10 year)	368,619	310,120	50,000	360,120	8,499
Historic preservation education	43,617	23,726	6,124	29,850	13,767
Tree mitigation	163,725	130,050	-	130,050	33,675
Annual Housing Summit	14,325	-	11,906	11,906	2,419
Rhodes Armed Forces Center	110,000	2,646	104,900	107,546	2,454
Brownfields program	400,000	210,044	163,157	373,201	26,799
Wilmington Waterfront Plan Study	180,000	-	-	-	180,000
Affordable housing program	1,175,000	1,152,532	3,410	1,155,942	19,058

CITY OF WILMINGTON, NORTH CAROLINA

**Special Purpose Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Economic and physical development projects: (continued)					
Homeownership services	\$ 113,950	\$ 90,306	\$ 8,085	\$ 98,391	\$ 15,559
UDAG income projects	1,202,298	1,193,157	4,996	1,198,153	4,145
Trees forever	65,755	6,087	908	6,995	58,760
Trolley station	3,716	2,123	-	2,123	1,593
Government information channel	50,000	47,510	-	47,510	2,490
Total economic and physical development	<u>4,348,885</u>	<u>3,288,843</u>	<u>378,581</u>	<u>3,667,424</u>	<u>681,461</u>
Cultural and recreational projects:					
Dog park development	35,490	19,620	4,500	24,120	11,370
Riverfront farmers market	58,242	58,242	-	58,242	-
Downtown business alliance	34,170	30,167	3,340	33,507	663
Boating infrastructure	114,098	24,915	57,599	82,514	31,584
Market place downtown	8,658	1,771	-	1,771	6,887
Rehder Garden	3,002	-	1,089	1,089	1,913
July Fourth celebration	5,000	3,566	-	3,566	1,434
Nautical festival	51,375	48,466	-	48,466	2,909
Wilmington railroad caboose	4,713	-	-	-	4,713
Wilmington railroad pavilion	85,500	-	-	-	85,500
Bicycle advisory	6,150	5,991	-	5,991	159
Total cultural and recreational	<u>406,398</u>	<u>192,738</u>	<u>66,528</u>	<u>259,266</u>	<u>147,132</u>
Total expenditures	<u>24,790,395</u>	<u>18,889,709</u>	<u>3,197,858</u>	<u>22,087,567</u>	<u>2,702,828</u>
Excess of revenues over expenditures	<u>15,725,962</u>	<u>19,206,293</u>	<u>2,143,763</u>	<u>21,350,056</u>	<u>5,624,094</u>
Other financing sources (uses):					
Operating transfers - in:					
UDAG Loan Fund	759,754	759,754	-	759,754	-
Community Development Fund	296,780	297,120	-	297,120	340
GF-HOP Loan Fund	1,086,000	1,086,000	-	1,086,000	-
Economic Development Loan Fund	168,353	168,353	100,000	268,353	100,000
Rental Rehabilitation Fund	438,000	438,000	-	438,000	-
Storm Water Management Fund	-	63	-	63	63
Building Improvements Fund	9,817	9,817	-	9,817	-
Parks & Recreation Fund	20,000	20,000	-	20,000	-
General Fund	3,439,549	2,634,635	707,114	3,341,749	(97,800)
Total operating transfers - in	<u>6,218,253</u>	<u>5,413,742</u>	<u>807,114</u>	<u>6,220,856</u>	<u>2,603</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Special Purpose Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses): (continued)					
Operating transfers - out:					
General Fund	\$ (64,912)	\$ (16,000)	\$ (48,912)	\$ (64,912)	\$ -
Convention Center Fund	(21,185,178)	(17,159,578)	(3,300,000)	(20,459,578)	725,600
Building Improvements Fund	(43,449)	(43,449)	-	(43,449)	-
UDAG Loan Fund	(117,077)	(117,077)	-	(117,077)	-
Home Investment Partnership Fund	(524,059)	(441,584)	(82,460)	(524,044)	15
Public Improvements Fund	(9,540)	(9,539)	-	(9,539)	1
Total operating transfers - out	<u>(21,944,215)</u>	<u>(17,787,227)</u>	<u>(3,431,372)</u>	<u>(21,218,599)</u>	<u>725,616</u>
Total other financing uses	<u>(15,725,962)</u>	<u>(12,373,485)</u>	<u>(2,624,258)</u>	<u>(14,997,743)</u>	<u>728,219</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 6,832,808</u>	(480,495)	<u>\$ 6,352,313</u>	<u>\$ 6,352,313</u>
Fund balance at beginning of year			<u>6,832,808</u>		
Fund balance at end of year			<u>\$ 6,352,313</u>		
A legally budgeted Convention Center Fund is consolidated into the Special Purpose Fund for reporting purposes:					
Sales and services			2,877,191		
Investment earnings			1,114		
Transfer from Special Purpose Fund			3,300,000		
Transfer from Building Improvements Fund			6,030,337		
Economic and physical development expenditures			(3,474,730)		
Debt service:					
Principal retirement			(1,490,000)		
Interest and other charges			(2,741,879)		
Fund balance at beginning of year			413,956		
An unbudgeted UDAG Loan Fund is consolidated into the Special Purpose Fund for reporting purposes:					
Fund balance at beginning of year			<u>98,467</u>		
Fund balance at end of year			<u>\$ 11,366,769</u>		

CITY OF WILMINGTON, NORTH CAROLINA

**Convention Center Fund
(A Subfund of the Special Purpose Fund)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Sales and services:					
Convention center	\$ 7,273,328	\$ 5,342,208	\$ 2,681,520	\$ 8,023,728	\$ 750,400
Parking deck	458,930	336,016	195,671	531,687	72,757
Total sales and services	7,732,258	5,678,224	2,877,191	8,555,415	823,157
Investment earnings	120,000	119,800	1,114	120,914	914
Net decrease in fair value of investments	-	(1,365)	-	(1,365)	(1,365)
Total revenues	7,852,258	5,796,659	2,878,305	8,674,964	822,706
Expenditures:					
Economic and physical development project:					
Convention Center operations	12,842,353	9,454,428	3,310,145	12,764,573	77,780
Parking deck operations	473,711	215,631	164,585	380,216	93,495
Total economic and physical development	13,316,064	9,670,059	3,474,730	13,144,789	171,275
Debt service:					
Principal retirement	5,785,000	4,295,000	1,490,000	5,785,000	-
Interest and other charges	17,400,757	14,650,721	2,741,879	17,392,600	8,157
Reserved for debt service	4,639,451	-	-	-	4,639,451
Total debt service	27,825,208	18,945,721	4,231,879	23,177,600	4,647,608
Total expenditures	41,141,272	28,615,780	7,706,609	36,322,389	4,818,883
Excess of expenditures over revenues	(33,289,014)	(22,819,121)	(4,828,304)	(27,647,425)	5,641,589
Other financing sources (uses):					
Operating transfers - in:					
Special Purpose Fund	21,185,178	17,159,578	3,300,000	20,459,578	(725,600)
Building Improvements Fund	6,030,337	-	6,030,337	6,030,337	-
Total operating transfers - in	27,215,515	17,159,578	9,330,337	26,489,915	(725,600)
Issuance of installment obligations	5,995,949	5,995,949	-	5,995,949	-
Issuance of refunding installment obligations	8,910,000	8,910,000	-	8,910,000	-
Payment to refund outstanding installment obligations	(8,832,450)	(8,832,450)	-	(8,832,450)	-
Total other financing sources	33,289,014	23,233,077	9,330,337	32,563,414	(725,600)
Net change in fund balance	\$ -	\$ 413,956	4,502,033	\$ 4,915,989	\$ 4,915,989
Fund balance at beginning of year			413,956		
Fund balance at end of year			\$ 4,915,989		

CITY OF WILMINGTON, NORTH CAROLINA

**Community Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 13,112,556	\$ 11,586,169	\$ 926,434	\$ 12,512,603	\$ (599,953)
Miscellaneous:					
Sale of property	4,080	27,080	-	27,080	23,000
Insurance reimbursement	1,800	1,807	-	1,807	7
Refunds	467,308	453,858	-	453,858	(13,450)
Total miscellaneous	473,188	482,745	-	482,745	9,557
Total revenues	13,585,744	12,068,914	926,434	12,995,348	(590,396)
Expenditures:					
Economic and physical development projects:					
Acquisition		541,000	-	541,000	
Public facilities		2,104,762	23,294	2,128,056	
Disposition		22,942	420	23,362	
Demolition		150,081	5,625	155,706	
Domestic Violence		284,907	31,393	316,300	
Shelter for homeless		319,500	-	319,500	
Community Boys Club		150,847	-	150,847	
Community Land Trust		61,997	-	61,997	
Shaw-Speaks Center		14,852	-	14,852	
Lot cleaning		20,000	-	20,000	
Volunteers of America		157,145	-	157,145	
Coastal Horizon Center		30,117	-	30,117	
Girls, Inc.		32,000	-	32,000	
Family Services		195,849	-	195,849	
Cop program		30,000	-	30,000	
Coalition of Success		13,500	-	13,500	
Head Start of Wilmington		57,996	-	57,996	
Cure AIDS of Wilmington		10,000	-	10,000	
Mercy House shelter		5,000	-	5,000	
Dreams of Wilmington		100,000	-	100,000	
Food Bank of Coastal Carolina		10,000	-	10,000	
Bottom Neighborhood Association		19,639	-	19,639	
Brigade Boys and Girls Club		155,000	-	155,000	
Leading Into New Communities		270,916	53,345	324,261	
Amigos International		8,025	-	8,025	
First Fruit Ministries		37,135	6,789	43,924	
Housing counseling		34,910	-	34,910	
Carousel Center		10,000	-	10,000	
Wilmington interfaith network		10,000	-	10,000	
Joint Project		498,164	89,970	588,134	
YWCA - Kids Making It		25,000	-	25,000	
Salvation Army		30,000	-	30,000	
Relocation		98,637	8,000	106,637	
Energy repairs/housing		358,433	-	358,433	
Capacity Building		34,926	-	34,926	

CITY OF WILMINGTON, NORTH CAROLINA

**Community Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures: (continued)					
Economic and physical development projects: (continued)					
Small Business Development		\$ 55,458	\$ -	\$ 55,458	
North Fourth Street Revitalization		78,645	-	78,645	
Castle Street		11,541	-	11,541	
Business training		17,883	-	17,883	
Economic development		15,300	-	15,300	
Charges for services		3,176,000	-	3,176,000	
Equipment/administration		18,001	-	18,001	
Code enforcement		228,000	-	228,000	
Planning		10,000	-	10,000	
Total expenditures	\$ 10,184,711	9,514,108	218,836	9,732,944	\$ 451,767
Excess of revenues over expenditures	3,401,033	2,554,806	707,598	3,262,404	(138,629)
Other financing sources (uses):					
Operating transfers - in:					
Rental Rehabilitation Loan Fund	159,823	159,072	5,850	164,922	5,099
Commercial Loan Fund	112,697	110,038	1,108	111,146	(1,551)
Rehabilitation Loan Fund	185,366	185,366	-	185,366	-
General Fund HOP Loan Fund	27,300	27,300	-	27,300	-
Total operating transfers - in	485,186	481,776	6,958	488,734	3,548
Operating transfers - out:					
CDBG/HOME Administration Fund	(2,018,000)	(1,613,000)	(405,000)	(2,018,000)	-
Rental Rehabilitation Loan Fund	(99,550)	(99,550)	-	(99,550)	-
Commercial Loan Fund	(527,500)	(527,500)	-	(527,500)	-
Rehabilitation Loan Fund	(40,000)	-	(36,871)	(36,871)	3,129
CDBG HOP Loan Fund	(1,108,185)	(703,560)	(272,685)	(976,245)	131,940
Streets and Sidewalks Fund	(92,984)	(92,972)	-	(92,972)	12
Total operating transfers - out	(3,886,219)	(3,036,582)	(714,556)	(3,751,138)	135,081
Total other financing uses	(3,401,033)	(2,554,806)	(707,598)	(3,262,404)	138,629
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance at beginning of year			-		
Fund balance at end of year			\$ -		
A portion of a legally budgeted CDBG/HOME Grant and Administration Fund is consolidated into the Community Development Fund for reporting purposes:					
Transfer from Community Development Fund			405,000		
General government expenditures			(68,194)		
Economic and physical development expenditures			(336,806)		
Fund balance at beginning of year			-		
Fund balance at end of year			\$ -		

CITY OF WILMINGTON, NORTH CAROLINA

**CDBG/Home Administration Fund
(A Subfund of the Community Development Fund)
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Expenditures:				
General government:				
Finance		\$ 167,378		\$ 129,917
Economic and physical development:				
Economic and community development		463,484		495,027
Total expenditures	\$ 714,152	630,862	\$ 83,290	624,944
Other financing sources:				
Operating transfers-in:				
General Fund	249,068	165,778	(83,290)	161,944
Community Development Fund	405,000	405,000	-	403,000
Home Investment Partnership Fund	60,084	60,084	-	60,000
Total other financing sources	714,152	630,862	(83,290)	624,944
Net change in fund balance	\$ -	-	\$ -	-
Fund balance at beginning of year		-		-
Fund balance at end of year		\$ -		\$ -

CITY OF WILMINGTON, NORTH CAROLINA

**Home Investment Partnership Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grants	\$ 8,678,071	\$ 7,115,074	\$ 253,651	\$ 7,368,725	\$ (1,309,346)
Miscellaneous	218,842	155,630	-	155,630	(63,212)
Total revenues	<u>8,896,913</u>	<u>7,270,704</u>	<u>253,651</u>	<u>7,524,355</u>	<u>(1,372,558)</u>
Expenditures:					
Economic and physical development projects:					
HUD reimbursement		129,170	51,864	181,034	
Community Development Housing Organizations		1,827,591	-	1,827,591	
Tenant Based Assistance		364,427	-	364,427	
Affordable Housing Infrastructure		63,300	-	63,300	
Homeless rental housing		90,000	-	90,000	
Charges for services		414,423	-	414,423	
Land trust administration		32,364	-	32,364	
Relocation assistance		44,257	10,118	54,375	
Total expenditures	<u>3,167,257</u>	<u>2,965,532</u>	<u>61,982</u>	<u>3,027,514</u>	<u>139,743</u>
Excess of revenues over expenditures	<u>5,729,656</u>	<u>4,305,172</u>	<u>191,669</u>	<u>4,496,841</u>	<u>(1,232,815)</u>
Other financing sources (uses):					
Operating transfers - in:					
Special Purpose Fund	82,460	192,382	82,460	274,842	192,382
General Fund HOP Loan Fund	79,150	79,150	-	79,150	-
Home Loan Fund	2,196,220	2,052,663	187,474	2,240,137	43,917
Total operating transfers - in	<u>2,357,830</u>	<u>2,324,195</u>	<u>269,934</u>	<u>2,594,129</u>	<u>236,299</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Home Investment Partnership Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Grant Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses): (continued)					
Operating transfers - out:					
CDBG/HOME Administration Fund	\$ (300,084)	\$ (240,000)	\$ (60,084)	\$ (300,084)	\$ -
Home Loan Fund	<u>(7,787,402)</u>	<u>(6,389,367)</u>	<u>(401,519)</u>	<u>(6,790,886)</u>	<u>996,516</u>
Total operating transfers - out	<u>(8,087,486)</u>	<u>(6,629,367)</u>	<u>(461,603)</u>	<u>(7,090,970)</u>	<u>996,516</u>
Total other financing uses	<u>(5,729,656)</u>	<u>(4,305,172)</u>	<u>(191,669)</u>	<u>(4,496,841)</u>	<u>1,232,815</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year			<u>-</u>		
Fund balance at end of year			<u>\$ -</u>		
A portion of a legally budgeted CDBG/HOME Grant and Administration Fund is consolidated into the Home Investment Partnership Fund for reporting purposes:					
Transfer from Home Investment Partnership Fund			60,084		
General government expenditures			(26,140)		
Economic and physical development expenditures			(33,944)		
Fund balance at beginning of year			-		
An unbudgeted Home Loan Fund is consolidated into the Home Investment Partnership Fund for reporting purposes:					
Miscellaneous income			6,744		
Transfer from Home Investment Partnership Fund			401,519		
Transfer from Rehabilitation Loan Fund			2,626		
Economic and physical development expenditures			(72,700)		
Transfer to Home Investment Partnership Fund			(187,474)		
Transfer to Rehabilitation Loan Fund			(580)		
Fund balance at beginning of year			<u>7,158,937</u>		
Fund balance at end of year			<u>\$ 7,309,072</u>		

CAPITAL PROJECT FUNDS TAB (FRONT)

CAPITAL PROJECT FUNDS TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Streets and Sidewalks Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 14,495,072	\$ 9,108,864	\$ 1,613,968	\$ 10,722,832	\$ (3,772,240)
Investment earnings	2,182,908	2,177,989	18,414	2,196,403	13,495
Net decrease in fair value of investments	-	(27,084)	-	(27,084)	(27,084)
Donations	779,590	260,125	27,634	287,759	(491,831)
Miscellaneous	272,023	272,024	-	272,024	1
Total revenues	17,729,593	11,791,918	1,660,016	13,451,934	(4,277,659)
Expenditures:					
Transportation:					
Water Street/Riverfront improvements	689,264	65,070	134,275	199,345	489,919
5th Street bridge	651,178	651,177	-	651,177	1
Bridge repairs 2004-05	412,732	290,245	40,219	330,464	82,268
Street rehabilitation 2004-05	12,751,252	2,606,896	2,022,237	4,629,133	8,122,119
Independence Boulevard phase II	5,977,356	5,977,355	-	5,977,355	1
Intersection improvements	167,459	162,500	-	162,500	4,959
Neighborhood traffic management	1,400,000	1,343,634	-	1,343,634	56,366
Masonboro/Pine Grove intersection	925,330	910,572	-	910,572	14,758
Eastwood Road path	29,214	-	-	-	29,214
Military Cutoff preservation maps	800,000	441,329	-	441,329	358,671
Independence Boulevard phase III	3,309,258	-	-	-	3,309,258
North downtown streetscape	6,700,822	6,358,407	329,919	6,688,326	12,496
North 3rd Street improvements	12,541,699	11,936,758	81,544	12,018,302	523,397
Front Street two-way	300,352	300,351	-	300,351	1
Kinston Avenue extension phase I	872,000	-	-	-	872,000
Front Street streetscapes	2,774,357	2,530,848	-	2,530,848	243,509
Market/Water Streets bulkhead	1,423,546	1,423,546	-	1,423,546	-
Signal system upgrade	4,998,274	4,998,274	-	4,998,274	-
Monkey Junction Annexation	652,663	652,663	-	652,663	-
3rd & Ann Street pedestrian improvements	76,500	60,034	-	60,034	16,466
Independence/Park pedestrian crossing	60,046	60,046	-	60,046	-
Bradley Creek/Safe Routes to School	364,746	83,790	208,221	292,011	72,735
Princess Place/17th to 25th Streets	157,000	-	1,330	1,330	155,670
Market Street sidewalks	16,971	-	-	-	16,971
Downtown street improvements	823,629	-	-	-	823,629
Pocket Park shoreline stabilization	564,200	50,042	489,508	539,550	24,650
Market Street H-piles stabilization	1,050,338	389,457	391,891	781,348	268,990
North/South 17th Street	450,000	-	26,300	26,300	423,700
Sign inventory and assessment	30,000	-	469	469	29,531
Way finding signage	72,000	-	-	-	72,000
Front/Castle pedestrian improvements	29,500	-	-	-	29,500
College/Peachtree pedestrian crossing	24,409	24,409	-	24,409	-
College/Oleander pedestrian crossing	100	-	-	-	100
Pine Valley street/drainage rehabilitation	90,000	-	74,411	74,411	15,589
Cross City Trail III streets rehabilitation	838,021	-	-	-	838,021
Wrightsville/Greenville improvements	425,500	-	9,456	9,456	416,044

CITY OF WILMINGTON, NORTH CAROLINA

**Streets and Sidewalks Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Expenditures: (continued)					
Transportation: (continued)					
Park Avenue multi-use path	\$ 703,200	\$ -	\$ 9,176	\$ 9,176	\$ 694,024
Shipyards/Carolina Beach Road crossing	38,246	-	38,246	38,246	-
Military Cutoff/Eastwood multi-use path	296,204	-	-	-	296,204
Hinton Avenue multi-use path	440,509	-	-	-	440,509
Hooker Road multi-use path	1,015,808	-	-	-	1,015,808
5th and Wooster pedestrian crossing	142,481	-	-	-	142,481
Kerr Avenue bike lane/sidewalks	703,568	-	-	-	703,568
Gregory/Williston Streets	390,000	-	-	-	390,000
Marsteller CSX railroad crossing	15,000	14,925	-	14,925	75
Wooster Street sidewalks	165,000	12,583	69	12,652	152,348
Randall Parkway widening	9,719,879	5,326,419	3,751,905	9,078,324	641,555
Underground utility placement	234,743	231,843	-	231,843	2,900
New street paving	139,953	139,447	-	139,447	506
Sidewalk rehabilitation and repairs	1,970,947	1,147,686	301,908	1,449,594	521,353
Pedestrian/Bike Improvements	1,452,119	1,015,646	3,413	1,019,059	433,060
Wooddale and Mallard Street bike path	234,592	233,751	-	233,751	841
Military Cutoff bike path	<u>1,185,951</u>	<u>723,951</u>	<u>-</u>	<u>723,951</u>	<u>462,000</u>
Total transportation	<u>81,297,916</u>	<u>50,163,654</u>	<u>7,914,497</u>	<u>58,078,151</u>	<u>23,219,765</u>
Cultural and recreational:					
Water Street/Riverfront improvements	96,357	-	16,550	16,550	79,807
Riverwalk North convention center	2,594,625	2,584,345	3,650	2,587,995	6,630
Riverwalk North marina	8,438,098	4,690,739	2,697,618	7,388,357	1,049,741
Market/Water Streets bulkhead	388,002	28,845	3,100	31,945	356,057
Independence/Park Avenue-Gary Shell					
Cross City Trail	70,089	70,089	-	70,089	-
Riverfront Assessment	1,288,068	254,113	2,360	256,473	1,031,595
Randall Parkway-Gary Shell Cross					
City Trail	<u>200,000</u>	<u>180,181</u>	<u>19,819</u>	<u>200,000</u>	<u>-</u>
Total cultural and recreational	<u>13,075,239</u>	<u>7,808,312</u>	<u>2,743,097</u>	<u>10,551,409</u>	<u>2,523,830</u>
Transit system:					
Transit capital grant match	<u>251,000</u>	<u>151,346</u>	<u>-</u>	<u>151,346</u>	<u>99,654</u>
Total expenditures	<u>94,624,155</u>	<u>58,123,312</u>	<u>10,657,594</u>	<u>68,780,906</u>	<u>25,843,249</u>
Excess of expenditures over revenues	<u>(76,894,562)</u>	<u>(46,331,394)</u>	<u>(8,997,578)</u>	<u>(55,328,972)</u>	<u>21,565,590</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Streets and Sidewalks Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses):					
Operating transfers - in:					
General Fund	\$ 13,578,020	\$ 12,690,041	\$ 456,232	\$ 13,146,273	\$ (431,747)
Debt Service fund	3,712,273	1,514,152	1,494,553	3,008,705	(703,568)
Building Improvements Fund	399,500	399,500	-	399,500	-
Public Improvements Fund	81,729	81,729	-	81,729	-
Storm Water Capital Project Fund	263,970	263,970	-	263,970	-
Total operating transfers - in	<u>18,035,492</u>	<u>14,949,392</u>	<u>1,950,785</u>	<u>16,900,177</u>	<u>(1,135,315)</u>
Operating transfers - out:					
General Fund	(1,384,199)	(1,384,199)	-	(1,384,199)	-
Parks and Recreation Fund	(140,000)	-	(140,000)	(140,000)	-
Building Improvements Fund	<u>(2,045,023)</u>	<u>(900,000)</u>	<u>(1,145,023)</u>	<u>(2,045,023)</u>	<u>-</u>
Total operating transfers - out	<u>(3,569,222)</u>	<u>(2,284,199)</u>	<u>(1,285,023)</u>	<u>(3,569,222)</u>	<u>-</u>
Issuance of bonds	30,298,129	26,988,872	3,050,000	30,038,872	(259,257)
Issuance of installment obligations	31,264,719	14,683,000	-	14,683,000	(16,581,719)
Issuance of other long-term obligations	200,000	200,000	-	200,000	-
Premium on bonds	488,021	488,020	59,359	547,379	59,358
Premium on installment obligations	<u>177,423</u>	<u>177,422</u>	<u>-</u>	<u>177,422</u>	<u>(1)</u>
Total other financing sources	<u>76,894,562</u>	<u>55,202,507</u>	<u>3,775,121</u>	<u>58,977,628</u>	<u>(17,916,934)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 8,871,113</u>	<u>(5,222,457)</u>	<u>\$ 3,648,656</u>	<u>\$ 3,648,656</u>
Fund balance at beginning of year			<u>8,871,113</u>		
Fund balance at end of year			<u>\$ 3,648,656</u>		

CITY OF WILMINGTON, NORTH CAROLINA

**Parks and Recreation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental	\$ 11,296,313	\$ 9,444,692	\$ 215,499	\$ 9,660,191	\$ (1,636,122)
Investment earnings	597,484	696,406	4,805	701,211	103,727
Net decrease in fair value of investments	-	(6,243)	-	(6,243)	(6,243)
Donations	985,289	1,162,888	33,106	1,195,994	210,705
Total revenues	12,879,086	11,297,743	253,410	11,551,153	(1,327,933)
Expenditures:					
Cultural and recreational:					
Park facility improvements 2004-05	1,291,527	1,080,840	153,066	1,233,906	57,621
Maides Park improvements	1,417,639	1,417,635	-	1,417,635	4
Recreation master plan	23,224	23,223	-	23,223	1
1898 Memorial Park	20,000	19,608	-	19,608	392
Alderman preserve	300,000	221,397	2,072	223,469	76,531
Dobo Park property	745,590	745,588	-	745,588	2
Annexation parks	6,960	6,960	-	6,960	-
Olsen Park Phase I	8,784,990	8,548,397	209,659	8,758,056	26,934
Greenfield Park amphitheater	1,248,429	1,247,943	-	1,247,943	486
Cross city trail system	8,791,985	5,921,345	491,511	6,412,856	2,379,129
10th & Fanning park development	75,000	-	2,335	2,335	72,665
Tennis complex	1,769,985	1,706,651	-	1,706,651	63,334
Love Grove Park	818,109	818,106	-	818,106	3
Park land purchase	314,490	84,370	1,800	86,170	228,320
Dram tree boat ramp	935,373	928,699	4,387	933,086	2,287
Legion Stadium turf improvements	979,396	842,634	-	842,634	136,762
Inland Greens acquisition	1,973,000	720,557	23,870	744,427	1,228,573
HUD Open Spaces initiative	267,500	247,499	-	247,499	20,001
MLK Center improvements	30,000	11,751	-	11,751	18,249
Seagate Park	174,500	432	113,530	113,962	60,538
Portia Mills Hines Park	25,000	15,097	-	15,097	9,903
Baseball Stadium	312,390	312,389	-	312,389	1
Empie Park tennis court resurfacing	31,700	30,187	-	30,187	1,513
Boating dock repair/replace	75,000	73,023	-	73,023	1,977
Smith Creek kayak launch	232,435	-	-	-	232,435
Tree mitigation plantings	154,000	40,000	68,294	108,294	45,706
Buck Hardee Field improvements	53,333	-	-	-	53,333
Riverfront Park improvements	320,476	67,741	-	67,741	252,735
Land acquisition and economic development	250,000	12,038	3,250	15,288	234,712
Riverwalk signage	150,000	143,806	2,853	146,659	3,341
Legion Stadium	6,485,260	6,485,260	-	6,485,260	-
Total expenditures	38,057,291	31,773,176	1,076,627	32,849,803	5,207,488
Excess of expenditures over revenues	(25,178,205)	(20,475,433)	(823,217)	(21,298,650)	3,879,555

CITY OF WILMINGTON, NORTH CAROLINA

**Parks and Recreation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses):					
Operating transfers - in:					
General Fund	\$ 5,742,060	\$ 5,800,138	\$ -	\$ 5,800,138	\$ 58,078
Debt Service Fund	130,000	40,000	90,000	130,000	-
Streets and Sidewalks Fund	140,000	-	140,000	140,000	-
Building Improvements Fund	26,666	-	26,666	26,666	-
Public Improvements Fund	-	5,000	-	5,000	5,000
Storm Water Capital Project Fund	400,000	400,000	-	400,000	-
Total operating transfers - in	<u>6,438,726</u>	<u>6,245,138</u>	<u>256,666</u>	<u>6,501,804</u>	<u>63,078</u>
Operating transfers - out:					
General Fund	(250,000)	(250,000)	-	(250,000)	-
Special Purpose Fund	(20,000)	(20,000)	-	(20,000)	-
Building Improvements Fund	(581,994)	(360,734)	(221,260)	(581,994)	-
Golf Capital Projects Fund	<u>(810,182)</u>	<u>-</u>	<u>(810,182)</u>	<u>(810,182)</u>	<u>-</u>
Total operating transfers - out	<u>(1,662,176)</u>	<u>(630,734)</u>	<u>(1,031,442)</u>	<u>(1,662,176)</u>	<u>-</u>
Issuance of other long-term obligations	20,017,462	19,497,463	-	19,497,463	(519,999)
Premium on other long-term obligations	<u>384,193</u>	<u>411,685</u>	<u>-</u>	<u>411,685</u>	<u>27,492</u>
Total other financing sources (uses)	<u>25,178,205</u>	<u>25,523,552</u>	<u>(774,776)</u>	<u>24,748,776</u>	<u>(429,429)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 5,048,119</u>	<u>(1,597,993)</u>	<u>\$ 3,450,126</u>	<u>\$ 3,450,126</u>
Fund balance at beginning of year			<u>5,048,119</u>		
Fund balance at end of year			<u>\$ 3,450,126</u>		

CITY OF WILMINGTON, NORTH CAROLINA

**Building Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 1,128,792	\$ 1,056,973	\$ -	\$ 1,056,973	\$ (71,819)
Investment earnings	1,756,072	1,815,136	51,201	1,866,337	110,265
Net decrease in fair value of investments	-	(41,023)	-	(41,023)	(41,023)
Sale of real estate	578,820	-	-	-	(578,820)
Rents	61,078	170,396	39,022	209,418	148,340
Donations	215,442	215,442	-	215,442	-
Miscellaneous	72,809	22,960	49,848	72,808	(1)
Total revenues	3,813,013	3,239,884	140,071	3,379,955	(433,058)
Expenditures:					
General government:					
Building improvements 2004-05	1,581,071	928,557	256,418	1,184,975	396,096
ITS infrastructure improvements	319,057	283,798	11,348	295,146	23,911
City Hall improvements	619,692	425,119	1,756	426,875	192,817
Time & attendance system	516,862	516,860	-	516,860	2
Northern warehouse purchase	1,797,078	1,770,125	3,204	1,773,329	23,749
Underground railroad kiosk	25,000	15,109	-	15,109	9,891
Fiber optics - Operation Center	122,124	122,124	-	122,124	-
10th & Fanning reuse	341,000	341,000	-	341,000	-
Environmental assessments	557,876	541,354	-	541,354	16,522
Naviline Select	152,000	134,183	-	134,183	17,817
Council chambers security	50,000	-	22,400	22,400	27,600
City Hall/Thalian energy stimulus	1,039,900	964,164	-	964,164	75,736
Northern riverfront project	4,100,000	-	3,868,042	3,868,042	231,958
Godwin Stadium renovations	380,000	-	355,707	355,707	24,293
City council chambers	679,267	657,589	-	657,589	21,678
Document imaging	129,576	129,576	-	129,576	-
Building security	243,108	178,958	47,127	226,085	17,023
ADA compliance	3,939,426	2,378,216	221,175	2,599,391	1,340,035
Total general government	16,593,037	9,386,732	4,787,177	14,173,909	2,419,128
Public safety:					
Training facility	3,468,864	3,468,863	-	3,468,863	1
Seagate annexation fire station 1998	3,365,596	3,334,559	-	3,334,559	31,037
800 MHZ radio upgrades	2,000,000	1,999,159	-	1,999,159	841
Fire station security	50,833	50,833	-	50,833	-
Empie fire station replacement	2,623,500	2,603,850	-	2,603,850	19,650
WPD southeast substation	1,526,700	1,520,249	-	1,520,249	6,451
Masonboro annexation fire station	3,008,339	3,002,998	-	3,002,998	5,341
Firing range & training facility	2,131,136	-	8,721	8,721	2,122,415
Cinema Drive fire station	3,802,715	780,128	182,283	962,411	2,840,304
Shipyard fire station #5	3,571,337	638,374	3,968	642,342	2,928,995
Total public safety	25,549,020	17,399,013	194,972	17,593,985	7,955,035

CITY OF WILMINGTON, NORTH CAROLINA

**Building Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Transportation:					
Multi-modal facility study	\$ 1,449,442	\$ 979,380	\$ -	\$ 979,380	\$ 470,062
Economic and physical development:					
Convention Center	51,734,889	51,734,889	-	51,734,889	-
Land acquisition and economic development	<u>4,282,320</u>	<u>3,803,500</u>	<u>-</u>	<u>3,803,500</u>	<u>478,820</u>
Total economic and physical development	<u>56,017,209</u>	<u>55,538,389</u>	<u>-</u>	<u>55,538,389</u>	<u>478,820</u>
Cultural and recreational:					
Hilton riverwalk bulkhead	4,135,133	4,113,694	-	4,113,694	21,439
Thalian Hall renovations	3,315,967	3,315,967	-	3,315,967	-
Downtown restroom facility	85,183	75,033	-	75,033	10,150
Riverwalk Governor's Landing	412,000	402,040	-	402,040	9,960
Riverwalk bulkhead reserve	464,900	-	-	-	464,900
Parks and recreation software	50,000	47,609	-	47,609	2,391
Community Arts Center	<u>2,253,541</u>	<u>2,235,211</u>	<u>-</u>	<u>2,235,211</u>	<u>18,330</u>
Total cultural and recreational	<u>10,716,724</u>	<u>10,189,554</u>	<u>-</u>	<u>10,189,554</u>	<u>527,170</u>
Transit system:					
Bus garage	<u>501,426</u>	<u>501,426</u>	<u>-</u>	<u>501,426</u>	<u>-</u>
Total expenditures	<u>110,826,858</u>	<u>93,994,494</u>	<u>4,982,149</u>	<u>98,976,643</u>	<u>11,850,215</u>
Excess of expenditures over revenues	<u>(107,013,845)</u>	<u>(90,754,610)</u>	<u>(4,842,078)</u>	<u>(95,596,688)</u>	<u>11,417,157</u>
Other financing sources (uses):					
Operating transfers - in:					
General Fund	21,467,572	18,804,977	2,733,717	21,538,694	71,122
Debt Service Fund	142,800	86,600	56,200	142,800	-
Special Purpose Fund	43,449	43,449	-	43,449	-
Streets and Sidewalks Fund	2,045,023	900,000	1,145,023	2,045,023	-
Parks & Recreation Fund	581,994	360,734	221,260	581,994	-
Public Improvements Fund	117,212	117,212	-	117,212	-
Storm Water Capital Project Fund	<u>80,609</u>	<u>80,609</u>	<u>-</u>	<u>80,609</u>	<u>-</u>
Total operating transfers - in	<u>24,478,659</u>	<u>20,393,581</u>	<u>4,156,200</u>	<u>24,549,781</u>	<u>71,122</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Building Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses): (continued)					
Operating transfers - out:					
General Fund	\$ (707,663)	\$ (607,663)	\$ (100,000)	\$ (707,663)	\$ -
Special Purpose Fund	(9,817)	(9,817)	-	(9,817)	-
Convention Center Fund	(6,030,337)	-	(6,030,337)	(6,030,337)	-
Streets and Sidewalks Fund	(399,500)	(399,500)	-	(399,500)	-
Parks and Recreation Fund	(26,666)	-	(26,666)	(26,666)	-
Total operating transfers - out	<u>(7,173,983)</u>	<u>(1,016,980)</u>	<u>(6,157,003)</u>	<u>(7,173,983)</u>	<u>-</u>
Issuance of bonds	-	477	-	477	477
Issuance of installment obligations	76,376,167	67,785,694	-	67,785,694	(8,590,473)
Issuance of other long-term obligations	13,370,000	13,370,000	-	13,370,000	-
Premium on installment obligations	-	93,995	-	93,995	93,995
Discount on installment obligations	(36,998)	(36,997)	-	(36,997)	1
Total other financing sources (uses)	<u>107,013,845</u>	<u>100,589,770</u>	<u>(2,000,803)</u>	<u>98,588,967</u>	<u>(8,424,878)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 9,835,160</u>	<u>(6,842,881)</u>	<u>\$ 2,992,279</u>	<u>\$ 2,992,279</u>
Fund balance at beginning of year			<u>9,835,160</u>		
Fund balance at end of year			<u>\$ 2,992,279</u>		

CITY OF WILMINGTON, NORTH CAROLINA

**Public Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

From Inception and Year Ended June 30, 2014

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Restricted intergovernmental	\$ 1,552,024	\$ 925,564	\$ 214,560	\$ 1,140,124	\$ (411,900)
Investment earnings	84,796	84,796	-	84,796	-
Donations	52,000	52,000	-	52,000	-
Miscellaneous	-	17,749	-	17,749	17,749
Total revenues	1,688,820	1,080,109	214,560	1,294,669	(394,151)
Expenditures:					
General government:					
Building improvements 2004-05	77,873	77,873	-	77,873	-
ADA compliance	348,423	346,206	-	346,206	2,217
Total general government	426,296	424,079	-	424,079	2,217
Public safety:					
Bomb robot support truck	223,856	223,855	-	223,855	1
Police boat	273,750	272,994	-	272,994	756
JAG-Equipment 2010-11	107,326	93,601	13,725	107,326	-
EOD render safe equipment	7,711	7,648	-	7,648	63
Bulletproof vests 2010-11	98,750	93,050	5,700	98,750	-
Port security equipment 2008-09	266,000	263,478	2,522	266,000	-
Port security equipment 2010-11	401,300	-	-	-	401,300
JAG-rotor blades/NHC	107,624	107,624	-	107,624	-
Governors Highway Safety Program - radar units	30,000	26,097	-	26,097	3,903
Firefighters Assistance (FEMA)	104,081	-	103,848	103,848	233
Governors Highway Safety Program - checkpoint equipment	20,000	-	18,611	18,611	1,389
JAG 2013-Shot Spotter/NHC	80,607	-	80,607	80,607	-
Governors Crime Commission - Operation Eagle Eyes	25,000	-	24,720	24,720	280
Total public safety	1,746,005	1,088,347	249,733	1,338,080	407,925
Transportation:					
Masonboro/Pine Grove intersection	10,800	10,800	-	10,800	-
Eastwood Road path	7,786	-	-	-	7,786
Pedestrian/bike improvements	548	548	-	548	-
Total transportation	19,134	11,348	-	11,348	7,786

CITY OF WILMINGTON, NORTH CAROLINA

**Public Improvements Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Expenditures: (continued)					
Cultural and recreational:					
Legion Stadium improvements	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Hilton riverwalk bulkhead	186,733	178,057	-	178,057	8,676
Total cultural and recreational	<u>216,733</u>	<u>208,057</u>	-	<u>208,057</u>	<u>8,676</u>
Total expenditures	<u>2,408,168</u>	<u>1,731,831</u>	<u>249,733</u>	<u>1,981,564</u>	<u>426,604</u>
Excess of expenditures over revenues	<u>(719,348)</u>	<u>(651,722)</u>	<u>(35,173)</u>	<u>(686,895)</u>	<u>32,453</u>
Other financing sources (uses):					
Operating transfers - in:					
General Fund	710,067	695,344	6,250	701,594	(8,473)
Special Purpose Fund	<u>9,540</u>	<u>9,539</u>	-	<u>9,539</u>	<u>(1)</u>
Total operating transfers - in	719,607	704,883	6,250	711,133	(8,474)
Operating transfers - out:					
General Fund	<u>(259)</u>	<u>(258)</u>	-	<u>(258)</u>	<u>1</u>
Total other financing sources	<u>719,348</u>	<u>704,625</u>	<u>6,250</u>	<u>710,875</u>	<u>(8,473)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 52,903</u>	(28,923)	<u>\$ 23,980</u>	<u>\$ 23,980</u>
Fund balance at beginning of year			<u>52,903</u>		
Fund balance at end of year			<u>\$ 23,980</u>		

DEBT SERVICE FUND TAB (FRONT)

DEBT SERVICE FUND TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Ad valorem taxes				
Current year	\$ 6,351,715	\$ 6,488,524	\$ 136,809	\$ 6,250,760
Prior years	-	67,027	67,027	-
Total ad valorem taxes	6,351,715	6,555,551	203,836	6,250,760
Restricted intergovernmental revenues	5,135,421	5,116,337	(19,084)	5,300,058
Investment earnings	16,655	40,018	23,363	26,234
Net decrease in fair value of investments	-	-	-	(41,123)
Total revenues	11,503,791	11,711,906	208,115	11,535,929
Expenditures:				
Debt service:				
Principal retirement		11,425,558		11,071,308
Interest and other charges		6,151,192		6,479,572
Total expenditures	18,936,916	17,576,750	1,360,166	17,550,880
Excess of expenditures over revenues	(7,433,125)	(5,864,844)	1,568,281	(6,014,951)
Other financing sources (uses):				
Operating transfer-in:				
General Fund	9,334,832	9,334,832	-	9,334,832
Operating transfers-out:				
Streets and Sidewalks Fund	(1,494,553)	(1,494,553)	-	(1,514,152)
Parks and Recreation Fund	(90,000)	(90,000)	-	(40,000)
Building Improvements Fund	(56,200)	(56,200)	-	(86,600)
Parking Facilities Fund	(260,954)	(260,954)	-	(132,959)
Parking Facilities Capital Projects Fund	-	-	-	(669,100)
Total operating transfers-out	(1,901,707)	(1,901,707)	-	(2,442,811)
Total other financing sources	7,433,125	7,433,125	-	6,892,021
Net change in fund balance	\$ -	1,568,281	\$ 1,568,281	877,070
Fund balance at beginning of year		6,398,918		5,521,848
Fund balance at end of year		\$ 7,967,199		\$ 6,398,918

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ENTERPRISE FUNDS TAB (FRONT)

ENTERPRISE FUNDS TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Solid Waste Management Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Charges for services:				
Refuse collection	\$ 8,820,918	\$ 8,407,329	\$ (413,589)	\$ 8,323,959
Recycling	21,340	26,101	4,761	31,032
Other operating revenues	<u>107,700</u>	<u>148,771</u>	<u>41,071</u>	<u>30,650</u>
Total operating revenues	<u>8,949,958</u>	<u>8,582,201</u>	<u>(367,757)</u>	<u>8,385,641</u>
Nonoperating revenues:				
Restricted intergovernmental	88,388	97,018	8,630	161,026
Investment earnings	11,130	20,982	9,852	14,556
Net decrease in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,091)</u>
Total nonoperating revenues	<u>99,518</u>	<u>118,000</u>	<u>18,482</u>	<u>152,491</u>
Total revenues	<u>9,049,476</u>	<u>8,700,201</u>	<u>(349,275)</u>	<u>8,538,132</u>
Expenditures:				
Operating expenditures:				
Administration		409,872		334,250
Customer refuse		3,706,817		3,618,201
Recycling		651,238		1,867,043
Yard waste		3,313,273		1,904,190
Downtown collection		897,084		828,344
Bulk/metal collections		498,880		-
Other operating expenditures		<u>683,635</u>		<u>649,639</u>
Total operating expenditures	<u>10,891,841</u>	<u>10,160,799</u>	<u>731,042</u>	<u>9,201,667</u>
Nonoperating expenditures:				
Interest and other charges		10,669		10,222
Principal payments on installment obligations		<u>189,150</u>		<u>-</u>
Total nonoperating expenditures	<u>216,888</u>	<u>199,819</u>	<u>17,069</u>	<u>10,222</u>
Total expenditures	<u>11,108,729</u>	<u>10,360,618</u>	<u>748,111</u>	<u>9,211,889</u>
Excess of expenditures over revenues	<u>(2,059,253)</u>	<u>(1,660,417)</u>	<u>398,836</u>	<u>(673,757)</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Solid Waste Management Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
Other financing sources:				
Operating transfer - in:				
General Fund	\$ 1,775,000	\$ 1,775,000	\$ -	\$ -
Issuance of other long-term obligations	-	-	-	949,150
Appropriated fund balance	284,253	-	(284,253)	-
Total other financing sources	2,059,253	1,775,000	(284,253)	949,150
Net change in fund balance	\$ -	114,583	\$ 114,583	275,393
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		(20,145)		(11,844)
Other postemployment benefits accrual		(250,642)		(363,950)
Depreciation		(3,732)		(2,509)
Capital asset expenditures		13,535		13,771
Investment earnings accrual		(1,317)		1,317
Transfers of capital assets to governmental funds		-		(8,376)
Interest expense accrual		(679)		(132)
Proceeds from other long-term obligations		-		(949,150)
Principal payments on other long-term obligations		189,150		-
Change in net position		\$ 40,753		\$ (1,045,480)

CITY OF WILMINGTON, NORTH CAROLINA

**Storm Water Management Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Charges for services:				
Utility fees	\$ 7,005,774	\$ 6,897,531	\$ (108,243)	\$ 6,515,511
City streets	1,912,915	1,912,915	-	1,764,682
Fines and forfeitures	-	100	100	-
Other operating revenues	<u>57,000</u>	<u>85,623</u>	<u>28,623</u>	<u>84,190</u>
Total operating revenues	<u>8,975,689</u>	<u>8,896,169</u>	<u>(79,520)</u>	<u>8,364,383</u>
Nonoperating revenues:				
Investment earnings	18,418	47,943	29,525	41,830
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,881)</u>
Total nonoperating revenue	<u>18,418</u>	<u>47,943</u>	<u>29,525</u>	<u>(19,051)</u>
Total revenues	<u>8,994,107</u>	<u>8,944,112</u>	<u>(49,995)</u>	<u>8,345,332</u>
Expenditures:				
Operating expenditures:				
Engineering		836,551		837,987
Operations		3,553,223		3,625,098
Other operating expenditures		<u>670,492</u>		<u>586,416</u>
Total operating expenditures	<u>5,950,317</u>	<u>5,060,266</u>	<u>890,051</u>	<u>5,049,501</u>
Nonoperating expenditures:				
Interest and fiscal charges		597,055		623,201
Principal payments on bonds		<u>575,000</u>		<u>555,000</u>
Total nonoperating expenditures	<u>2,626,281</u>	<u>1,172,055</u>	<u>1,454,226</u>	<u>1,178,201</u>
Total expenditures	<u>8,576,598</u>	<u>6,232,321</u>	<u>2,344,277</u>	<u>6,227,702</u>
Excess of revenues over expenditures	<u>417,509</u>	<u>2,711,791</u>	<u>2,294,282</u>	<u>2,117,630</u>
Other financing sources (uses):				
Operating transfers out:				
Storm Water Capital Projects Fund	(3,996,841)	(3,996,841)	-	(1,264,033)
Appropriated fund balance	<u>3,579,332</u>	<u>-</u>	<u>(3,579,332)</u>	<u>-</u>
Total other financing uses	<u>(417,509)</u>	<u>(3,996,841)</u>	<u>(3,579,332)</u>	<u>(1,264,033)</u>
Net change in fund balance	<u>\$ -</u>	<u>(1,285,050)</u>	<u>\$ (1,285,050)</u>	853,597

CITY OF WILMINGTON, NORTH CAROLINA

**Storm Water Management Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		\$ (4,278)		\$ 22,483
Other post employment benefits accrual		(179,719)		(296,018)
Change in inventory		(240)		15,438
Capital asset expenditures		34,340		8,379
Depreciation		(830,985)		(791,776)
Amortization		(2,294)		(2,294)
Other noncapital expenses - Storm Water		(179,800)		
Capital Projects Fund		-		(141,065)
Operating transfer - Storm Water Capital		3,996,841		
Projects Fund		-		1,264,033
Investment earnings accrual		(3,516)		3,516
Investment earnings - Storm Water Capital				
Projects Fund		-		(81)
Net decrease in fair value of investments - Storm				
Water Capital Projects Fund		-		(309)
Principal payments on revenue bonds		500,000		480,000
Principal payments on installment obligations		75,000		75,000
Interest expense adjustments		127,554		139,286
Capital contributions - others		49,500		137,394
Capital contribution from other funds		-		-
Capital transfer - Streets and Sidewalks				
Capital Projects Fund		-		-
Capital transfer - Parks and Recreation				
Capital Projects Fund		-		-
Capital transfer - Building Improvements				
Capital Projects Fund		-		(50,000)
Transfer of capital assets to governmental funds		-		(8,379)
Transfer of capital assets to Equipment				
Maintenance and Replacement Fund		-		(5,924)
Loss on disposal of capital assets		(95,849)		
Other		(15,000)		8,000
Change in net position		<u>\$ 2,186,504</u>		<u>\$ 1,711,280</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Storm Water Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Actual		Totals to Date	Variance Positive (Negative)
		Prior Years	Current Year		
Revenues:					
Investment earnings	\$ 368,803	\$ 1,150,898	\$ -	\$ 1,150,898	\$ 782,095
Net decrease in fair value of investments	-	(309)	-	(309)	(309)
Restricted intergovernmental	675,680	675,680	-	675,680	-
Total revenues	1,044,483	1,826,269	-	1,826,269	781,786
Expenditures:					
Storm Water Inventory Mapping	885,755	584,364	30,600	614,964	270,791
Lincoln outfall	390,000	11,631	4,679	16,310	373,690
Dupree Drive	710,570	704,782	-	704,782	5,788
Cedar Avenue/Sweetwater outfall	1,925,855	1,920,345	-	1,920,345	5,510
Storm drainage rehabilitation	2,283,963	1,074,758	426,306	1,501,064	782,899
Sweeper storage facility	1,174,285	1,174,252	-	1,174,252	33
Bradley Creek/Michelle Drive	2,393,000	494,502	202,518	697,020	1,695,980
Doctors branch bank stabilization	1,063,970	1,051,796	9,233	1,061,029	2,941
Cavalier Drive drainage	1,417,418	1,398,892	-	1,398,892	18,526
Wisteria/Clearbrook area	5,412,880	775,660	338,430	1,114,090	4,298,790
Burnt Mill tidegate	327,571	321,012	-	321,012	6,559
Rileys branch	1,981,795	1,981,573	-	1,981,573	222
Cardinal Drive/George Trask	916,656	844,942	40,503	885,445	31,211
Hunters Trail culvert repair	225,315	225,288	-	225,288	27
Greenville Avenue/White Avenue	1,213,500	93,801	58,352	152,153	1,061,347
Brookshire/Beasley drainage	3,855,000	155,385	112,127	267,512	3,587,488
Antelope Trail drainage improvements	368,412	-	336,174	336,174	32,238
Rogersville Road culvert replacement	80,000	48,505	15,097	63,602	16,398
Old McCumbers drainage improvements	75,000	-	3,557	3,557	71,443
Clear Run branch improvements	523,295	-	125,993	125,993	397,302
Cross City Trail storm water improvements	234,722	-	91,625	91,625	143,097
Market Northwoods	1,227,300	1,227,223	-	1,227,223	77
Market Inland Greens	1,414,515	1,414,189	-	1,414,189	326
Mineral Springs 2002-03	584,725	558,651	-	558,651	26,074
Brenda Drive drainage	401,390	27,457	-	27,457	373,933
Total expenditures	31,086,892	16,089,008	1,795,194	17,884,202	13,202,690
Excess of expenditures over revenues	(30,042,409)	(14,262,739)	(1,795,194)	(16,057,933)	13,984,476
Other financing sources (uses):					
Operating transfers - in:					
Storm Water Management Fund	12,814,140	8,818,884	3,996,841	12,815,725	1,585

CITY OF WILMINGTON, NORTH CAROLINA

**Storm Water Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP) (Continued)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Other financing sources (uses): (continued)					
Operating transfers - out:					
Streets and Sidewalks Fund	\$ (263,970)	\$ (263,970)	\$ -	\$ (263,970)	\$ -
Parks and Recreation Fund	(400,000)	(400,000)	-	(400,000)	-
Building Improvements Fund	<u>(80,609)</u>	<u>(80,609)</u>	<u>-</u>	<u>(80,609)</u>	<u>-</u>
Total operating transfers - out	<u>(744,579)</u>	<u>(744,579)</u>	<u>-</u>	<u>(744,579)</u>	<u>-</u>
Issuance of bonds	17,440,086	5,466,465	-	5,466,465	(11,973,621)
Premium on bonds	394,157	394,157	-	394,157	-
Issuance of installment obligations	89,980	89,979	-	89,979	(1)
Issuance of other long-term obligations	<u>48,625</u>	<u>48,626</u>	<u>-</u>	<u>48,626</u>	<u>1</u>
Total other financing sources	<u>30,042,409</u>	<u>14,073,532</u>	<u>3,996,841</u>	<u>18,070,373</u>	<u>(11,972,036)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (189,207)</u>	<u>\$ 2,201,647</u>	<u>\$ 2,012,440</u>	<u>\$ 2,012,440</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Parking Facilities Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Charges for services:				
Parking fees	\$ 2,338,800	\$ 2,602,450	\$ 263,650	\$ 2,454,816
Parking violations	664,500	558,956	(105,544)	643,291
Total operating revenues	<u>3,003,300</u>	<u>3,161,406</u>	<u>158,106</u>	<u>3,098,107</u>
Nonoperating revenues:				
Interest earned	4,740	12,375	7,635	10,897
Net decrease in fair value of investments	-	-	-	(14,755)
Total nonoperating revenues	<u>4,740</u>	<u>12,375</u>	<u>7,635</u>	<u>(3,858)</u>
Total revenues	<u>3,008,040</u>	<u>3,173,781</u>	<u>165,741</u>	<u>3,094,249</u>
Expenditures:				
Operating expenditures:				
Street parking		707,421		827,550
Water Street deck		165,301		140,969
Second Street deck		309,295		275,560
Market Street deck		431,697		325,494
Second Street lot		208,223		210,158
Hannah Block lot		15,004		17,762
Total operating expenditures	<u>2,223,036</u>	<u>1,836,941</u>	<u>386,095</u>	<u>1,797,493</u>
Nonoperating expenditures:				
Interest and fiscal charges		341,593		289,736
Principal payments on installment obligations		357,500		386,750
Principal payments on other long-term obligations		166,667		83,333
Total nonoperating expenditures	<u>866,140</u>	<u>865,760</u>	<u>380</u>	<u>759,819</u>
Total expenditures	<u>3,089,176</u>	<u>2,702,701</u>	<u>386,475</u>	<u>2,557,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(81,136)</u>	<u>471,080</u>	<u>552,216</u>	<u>536,937</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Parking Facilities Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP) (Continued)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
Other financing sources (uses):				
Operating transfers - in:				
Debt Service Fund	\$ 260,954	\$ 260,954	\$ -	\$ 132,959
Operating transfers - out:				
Parking Facilities Capital Projects Fund	(395,650)	(395,650)	-	(191,910)
Appropriated fund balance	<u>215,832</u>	<u>-</u>	<u>(215,832)</u>	<u>-</u>
Total other financing sources (uses)	<u>81,136</u>	<u>(134,696)</u>	<u>(215,832)</u>	<u>(58,951)</u>
Net change in fund balance	<u>\$ -</u>	336,384	<u>\$ 336,384</u>	477,986
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		(1,749)		4,924
Capital asset expenditures		16,514		-
Deferred Revenues		(4,500)		7,500
Other postemployment benefits accrual		9,398		(16,872)
Depreciation		(690,487)		(574,383)
Other noncapital expenses - Parking Facilities				
Capital Projects Fund		(2,400)		(25,321)
Investment earnings accrual		(1,346)		1,346
Interest expense adjustment		42,772		43,362
Investment earnings - Parking Facilities Capital				
Projects Fund		6,753		3,712
Operating transfer - Parking Facilities Capital				
Projects Fund		395,650		861,010
Net decrease in fair value of investments - Parking				
Capital Projects Fund		-		(7,157)
Principal payments on installment obligations		357,500		386,750
Principal payments on other long-term obligations		166,667		83,333
Interest expense accrual		<u>2,122</u>		<u>(39,901)</u>
Change in net position		<u>\$ 633,278</u>		<u>\$ 1,206,289</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Parking Facilities Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 47,400	\$ 64,245	\$ 6,753	\$ 70,998	\$ 23,598
Net decrease in fair value of investments	-	(7,157)	-	(7,157)	(7,157)
Total revenues	47,400	57,088	6,753	63,841	16,441
Expenditures:					
Second Street parking deck cameras	145,572	121,584	-	121,584	23,988
Hanna block parking lot	1,035,000	752,769	9,803	762,572	272,428
Second Street deck repair	386,450	35,341	120,813	156,154	230,296
Market Street parking deck lights	56,850	-	-	-	56,850
Parking facility equipment	280,710	-	22,914	22,914	257,796
Water Street parking deck	9,075,000	2,562,252	351,642	2,913,894	6,161,106
Market Street parking deck	9,281,328	9,277,552	-	9,277,552	3,776
Total expenditures	20,260,910	12,749,498	505,172	13,254,670	7,006,240
Excess of expenditures over revenues	(20,213,510)	(12,692,410)	(498,419)	(13,190,829)	7,022,681
Other financing sources:					
Operating transfers - in:					
Debt Service Fund	669,100	669,100	-	669,100	-
Parking Facilities Fund	1,894,010	1,498,360	395,650	1,894,010	-
Total operating transfers - in	2,563,110	2,167,460	395,650	2,563,110	-
Issuance of installment obligations	15,150,400	9,232,190	-	9,232,190	(5,918,210)
Issuance of other long-term obligations	2,500,000	2,500,000	-	2,500,000	-
Total other financing sources	20,213,510	13,899,650	395,650	14,295,300	(5,918,210)
Net change in fund balance	\$ -	\$ 1,207,240	\$ (102,769)	\$ 1,104,471	\$ 1,104,471

CITY OF WILMINGTON, NORTH CAROLINA

**Golf Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance	2013
	Budget	Actual	Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Fees and coupons	\$ 647,088	\$ 531,806	\$ (115,282)	\$ 691,364
Cart rentals	252,390	204,050	(48,340)	280,321
Concessions	121,950	122,363	413	159,681
Other operating revenues	-	4,994	4,994	8,452
Total operating revenues	1,021,428	863,213	(158,215)	1,139,818
Nonoperating revenues:				
Interest earned	3,045	8,604	5,559	6,306
Net decrease in fair value of investments	-	-	-	(9,272)
Total nonoperating revenues	3,045	8,604	5,559	(2,966)
Total revenues	1,024,473	871,817	(152,656)	1,136,852
Expenditures:				
Operating expenditures:				
Golf course		1,079,895		1,087,347
Other operating expenditures		111,700		108,000
Total operating expenditures	1,280,742	1,191,595	89,147	1,195,347
Excess of expenditures over revenues	(256,269)	(319,778)	(63,509)	(58,495)
Other financing sources (uses):				
Operating transfer - out:				
Golf Capital Projects Fund	(316,827)	(316,827)	-	-
Appropriated fund balance	573,096	-	(573,096)	-
Total other financing sources (uses):	256,269	(316,827)	(573,096)	-
Net change in fund balance	\$ -	(636,605)	\$ (636,605)	(58,495)
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Deferred revenues		(5,237)		(10,553)
Investment earnings accrual		(624)		624
Vacation and sick leave accrual		(12,803)		(9,674)
Other postemployment benefits accrual		(50,989)		(44,109)
Change in inventory		7,990		12,486
Capital asset expenditures		5,490		21,785
Depreciation		(48,922)		(64,186)
Investment earnings - Golf Capital Projects Fund		787		1,085
Net decrease in fair value of investments - Golf Capital Projects Fund		-		(1,572)
Other noncapital expenses - Golf Capital Projects Fund		(2,534)		(15,940)
Operating transfer - Golf Capital Projects Fund		1,127,009		-
Change in net position		\$ 383,562		\$ (168,549)

CITY OF WILMINGTON, NORTH CAROLINA

**Golf Capital Projects Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

From Inception and Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Totals to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ 24,647	\$ 787	\$ 25,434	\$ 25,434
Net decrease in fair value of investments	-	(1,572)	-	(1,572)	(1,572)
Total revenues	-	23,075	787	23,862	23,862
Expenditures:					
Club house improvements	212,920	210,385	2,534	212,919	1
Greens replacement	1,323,446	-	765,029	765,029	558,417
Total expenditures	1,536,366	210,385	767,563	977,948	558,418
Excess of expenditures over revenues	(1,536,366)	(187,310)	(766,776)	(954,086)	582,280
Other financing sources:					
Operating transfers - in:					
Parks and Recreation Fund	810,182	-	810,182	810,182	-
Golf Fund	726,184	409,357	316,827	726,184	-
Total other financing sources	1,536,366	409,357	1,127,009	1,536,366	-
Net change in fund balance	\$ -	\$ 222,047	\$ 360,233	\$ 582,280	\$ 582,280

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INTERNAL SERVICE FUNDS TAB (FRONT)

INTERNAL SERVICE FUNDS TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Net Position -
Internal Service Funds**

June 30, 2014

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,511,004	\$ 1,712,664	\$ 8,223,668
Other receivables	2,362	618	2,980
Due from component unit	212,300	-	212,300
Due from other governments	20,350	-	20,350
Inventory of materials and supplies	153,943	-	153,943
Prepays	<u>350,477</u>	<u>150</u>	<u>350,627</u>
Total current assets	<u>7,250,436</u>	<u>1,713,432</u>	<u>8,963,868</u>
Noncurrent assets:			
Capital assets:			
Furniture, fixtures, machinery and equipment	21,584,406	-	21,584,406
Construction in progress	46,865	-	46,865
Less accumulated depreciation	<u>(18,054,090)</u>	<u>-</u>	<u>(18,054,090)</u>
Total capital assets, net of accumulated depreciation	<u>3,577,181</u>	<u>-</u>	<u>3,577,181</u>
Total assets	<u>10,827,617</u>	<u>1,713,432</u>	<u>12,541,049</u>
LIABILITIES			
Current liabilities:			
Accounts payable	260,753	125,134	385,887
Accrued liabilities	62,592	-	62,592
Accrued vacation and sick leave	<u>62,191</u>	<u>-</u>	<u>62,191</u>
Total current liabilities	<u>385,536</u>	<u>125,134</u>	<u>510,670</u>
Noncurrent liabilities:			
Accrued vacation and sick leave	8,045	-	8,045
Accrued other postemployment benefits	<u>218,272</u>	<u>-</u>	<u>218,272</u>
Total noncurrent liabilities	<u>226,317</u>	<u>-</u>	<u>226,317</u>
Total liabilities	<u>611,853</u>	<u>125,134</u>	<u>736,987</u>
NET POSITION			
Net investment in capital assets	3,577,181	-	3,577,181
Unrestricted	<u>6,638,583</u>	<u>1,588,298</u>	<u>8,226,881</u>
Total net position	<u>\$ 10,215,764</u>	<u>\$ 1,588,298</u>	<u>\$ 11,804,062</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position -
Internal Service Funds**

Year Ended June 30, 2014

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Charges for services	\$ 2,138,769	\$ -	\$ 2,138,769
Charges for equipment replacement	2,918,538	463,976	3,382,514
Other operating revenues	<u>36,509</u>	<u>-</u>	<u>36,509</u>
Total operating revenues	<u>5,093,816</u>	<u>463,976</u>	<u>5,557,792</u>
Operating expenses:			
Salaries, employee benefits and other personnel costs	834,254	-	834,254
Materials and fuels consumed	15,523	-	15,523
Services	1,079,482	-	1,079,482
Utilities	5,106	-	5,106
Depreciation	1,186,591	-	1,186,591
Other operating expenses	<u>255,162</u>	<u>673,599</u>	<u>928,761</u>
Total operating expenses	<u>3,376,118</u>	<u>673,599</u>	<u>4,049,717</u>
Operating income (loss)	<u>1,717,698</u>	<u>(209,623)</u>	<u>1,508,075</u>
Nonoperating revenues:			
Investment earnings	26,194	5,163	31,357
Gain on disposal of capital assets	<u>14,716</u>	<u>-</u>	<u>14,716</u>
Total nonoperating revenues	<u>40,910</u>	<u>5,163</u>	<u>46,073</u>
Income (loss) before capital contributions and transfers	1,758,608	(204,460)	1,554,148
Capital contributions	14,462	-	14,462
Transfers from other funds	-	480,000	480,000
Transfers to other funds	<u>-</u>	<u>(32,115)</u>	<u>(32,115)</u>
Change in net position	1,773,070	243,425	2,016,495
Net position at beginning of year	<u>8,442,694</u>	<u>1,344,873</u>	<u>9,787,567</u>
Net position at end of year	<u>\$ 10,215,764</u>	<u>\$ 1,588,298</u>	<u>\$ 11,804,062</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Cash Flows -
Internal Service Funds**

Year Ended June 30, 2014

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 253,858	\$ -	\$ 253,858
Receipts from interfund services provided	4,850,929	463,976	5,314,905
Payments to suppliers	(1,599,852)	(600,119)	(2,199,971)
Payments to or on behalf of employees	(750,592)	-	(750,592)
Payments for interfund services used	<u>(9,555)</u>	<u>-</u>	<u>(9,555)</u>
Net cash provided by (used in) operating activities	<u>2,744,788</u>	<u>(136,143)</u>	<u>2,608,645</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	<u>-</u>	<u>480,000</u>	<u>480,000</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,672,724)	(7,049)	(1,679,773)
Proceeds from sale of capital assets	<u>14,716</u>	<u>-</u>	<u>14,716</u>
Net cash used in capital and related financing activities	<u>(1,658,008)</u>	<u>(7,049)</u>	<u>(1,665,057)</u>
Cash flows from investing activities:			
Investment earnings	<u>27,776</u>	<u>5,543</u>	<u>33,319</u>
Net increase in cash and cash equivalents	1,114,556	342,351	1,456,907
Cash and cash equivalents at beginning of year	<u>5,396,448</u>	<u>1,370,313</u>	<u>6,766,761</u>
Cash and cash equivalents at end of year	<u>\$ 6,511,004</u>	<u>\$ 1,712,664</u>	<u>\$ 8,223,668</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Combining Statement of Cash Flows -
Internal Service Funds (Continued)**

Year Ended June 30, 2014

	Equipment, Maintenance and Replacement Fund	Personal Computer Replacement Fund	Total Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 1,717,698	\$ (209,623)	\$ 1,508,075
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,186,591	-	1,186,591
Changes in assets and liabilities:			
Due from component unit	16,169	-	16,169
Due from other governments	(5,198)	-	(5,198)
Inventory of materials and supplies	(1,037)	-	(1,037)
Prepays	(334,403)	(150)	(334,553)
Accounts payable and accrued liabilities	100,043	73,630	173,673
Accrued vacation and sick leave	4,533	-	4,533
Accrued other postemployment benefits	<u>60,392</u>	<u>-</u>	<u>60,392</u>
Net cash provided by (used in) operating activities	<u>\$ 2,744,788</u>	<u>\$ (136,143)</u>	<u>\$ 2,608,645</u>
 Noncash investing, capital and financing activities:			
Capital assets acquired on account	\$ 71,958	\$ 25,066	\$ 97,024
Capital contributions from other governments	7,050	-	7,050
Capital contributions from governmental funds	7,412	-	7,412
Donation of capital assets to governmental funds	<u>-</u>	<u>(32,115)</u>	<u>(32,115)</u>
Net effect of noncash activities	<u>\$ 86,420</u>	<u>\$ (7,049)</u>	<u>\$ 79,371</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Equipment, Maintenance and Replacement Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Charges for services	\$ 2,074,257	\$ 2,150,276	\$ 76,019	\$ 1,979,536
Charges for equipment replacement	2,841,248	2,918,538	77,290	2,625,985
Other operating revenues	-	27,024	27,024	36,844
Total operating revenues	<u>4,915,505</u>	<u>5,095,838</u>	<u>180,333</u>	<u>4,642,365</u>
Nonoperating revenues:				
Investment earnings	11,000	28,252	17,252	26,051
Net decrease in fair value of investments	-	-	-	(36,005)
Sale of capital assets	<u>5,000</u>	<u>24,201</u>	<u>19,201</u>	<u>124,403</u>
Total nonoperating revenues	<u>16,000</u>	<u>52,453</u>	<u>36,453</u>	<u>114,449</u>
Total revenues	<u>4,931,505</u>	<u>5,148,291</u>	<u>216,786</u>	<u>4,756,814</u>
Expenditures:				
Operating expenditures:				
Garage operations		2,021,426		1,914,508
Capital and noncapital equipment		<u>1,848,895</u>		<u>3,466,208</u>
Total expenditures	<u>7,937,769</u>	<u>3,870,321</u>	<u>4,067,448</u>	<u>5,380,716</u>
Excess (deficiency) of revenues over (under) expenditures	(3,006,264)	1,277,970	4,284,234	(623,902)
Other financing sources:				
Appropriated fund balance	<u>3,006,264</u>	-	<u>(3,006,264)</u>	-
Net change in fund balance	<u>\$ -</u>	1,277,970	<u>\$ 1,277,970</u>	(623,902)

CITY OF WILMINGTON, NORTH CAROLINA

**Equipment, Maintenance and Replacement Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP) (Continued)**

Year Ended June 30, 2014

With Comparative Actual Amounts for Year Ended June 30, 2013

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Vacation and sick leave accrual		\$ (4,533)		\$ 28,815
Other postemployment benefits accrual		(60,392)		(21,287)
Change in inventory		1,037		1,529
Capital asset expenditures		1,744,682		3,052,143
Depreciation		(1,186,591)		(1,193,983)
Investment earnings accrual		(2,058)		2,058
Disposal of capital assets		-		(1,018)
Capital contributions		7,050		
Capital contributions from governmental funds		7,412		121,532
Transfers of capital assets to governmental funds		-		(1,416,028)
Outside services		(11,507)		85,473
Change in net position		<u>\$ 1,773,070</u>		<u>\$ 35,332</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Personal Computer Replacement Fund
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)**

**Year Ended June 30, 2014
With Comparative Actual Amounts for Year Ended June 30, 2013**

	2014		Variance Positive (Negative)	2013 Actual
	Budget	Actual		
Revenues:				
Operating revenues:				
Charges for equipment replacement	\$ 461,562	\$ 463,976	\$ 2,414	\$ 467,104
Nonoperating revenues:				
Investment earnings	-	5,686	5,686	4,946
Net decrease in fair value of investments	-	-	-	(8,822)
Total revenues	461,562	469,662	8,100	463,228
Expenditures:				
Operating expenditures:				
Information technology operations		433,056		394,627
Capital and noncapital equipment		272,658		187,184
Total expenditures	1,283,908	705,714	578,194	581,811
Excess of expenditures over revenues	(822,346)	(236,052)	586,294	(118,583)
Other financing sources:				
Operating transfer-in:				
General Fund	480,000	480,000	-	480,000
Appropriated fund balance	342,346	-	(342,346)	-
Total other financing sources	822,346	480,000	(342,346)	480,000
Net change in fund balance	\$ -	243,948	\$ 243,948	361,417
Reconciliation from budgetary basis (modified accrual) to full accrual basis:				
Capital asset expenditures		32,115		58,746
Investment earnings accrual		(523)		523
Transfers of capital assets to governmental funds		(32,115)		(58,746)
Change in net position		\$ 243,425		\$ 361,940

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SUPPLEMENTAL
FINANCIAL DATA TAB (FRONT)

SUPPLEMENTAL
FINANCIAL DATA TAB (BACK)

CITY OF WILMINGTON, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Schedule By Type and Source**

June, 30 2014

Governmental funds capital assets:	
Land	\$ 56,270,424
Easements	11,561,815
Improvements other than buildings	55,567,095
Buildings, plant and structures	140,630,145
Furniture, fixtures, machinery and equipment	22,862,694
Computer software	1,385,714
Streets and drainage	209,541,631
Construction in progress	<u>3,836,746</u>
Total governmental funds capital assets	<u>\$ 501,656,264</u>
Investment in governmental funds capital assets by source:	
Prior years for which detail is not available	\$ 18,849,064
General Fund	13,247,056
Special Purpose Fund	5,663,863
Capital Project Funds	320,880,640
Accepted dedications	<u>143,015,641</u>
Total governmental funds capital assets	<u>\$ 501,656,264</u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF WILMINGTON, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Schedule By Function and Activity**

June, 30 2014

Function and Activity	Land	Easements	Improvements other than Buildings
General government:			
City Manager	\$ -	\$ -	\$ -
Finance	-	-	-
Information Technology Services	-	-	-
Development Services	-	-	-
General government	<u>6,962,659</u>	<u>10,026</u>	<u>3,914,649</u>
Total general government	<u>6,962,659</u>	<u>10,026</u>	<u>3,914,649</u>
Public safety:			
Police	728,670	-	-
Fire	<u>3,788,391</u>	-	<u>157,598</u>
Total public safety	<u>4,517,061</u>	-	<u>157,598</u>
Transportation:			
Traffic engineering	37,638	-	-
Transportation Planning	-	-	-
Streets and drainage	<u>33,675,451</u>	<u>11,507,539</u>	<u>7,331,802</u>
Total transportation	<u>33,713,089</u>	<u>11,507,539</u>	<u>7,331,802</u>
Cultural and recreational:			
Parks and recreation	<u>7,268,877</u>	<u>44,250</u>	<u>44,163,046</u>
Economic and physical development	<u>3,808,738</u>	-	-
Total governmental funds capital assets	<u>\$ 56,270,424</u>	<u>\$ 11,561,815</u>	<u>\$ 55,567,095</u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

<u>Buildings, Plant and Structures</u>	<u>Furniture, Fixtures, Machinery and Equipment</u>	<u>Computer Software</u>	<u>Streets and Drainage</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ 176,108	\$ -	\$ -	\$ -	\$ 176,108
-	33,942	-	-	-	33,942
-	1,557,122	921,865	-	-	2,478,987
-	108,776	13,120	-	-	121,896
<u>31,281,749</u>	<u>611,739</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,780,822</u>
<u>31,281,749</u>	<u>2,487,687</u>	<u>934,985</u>	<u>-</u>	<u>-</u>	<u>45,591,755</u>
24,001,380	6,986,681	151,200	-	107,624	31,975,555
<u>17,965,534</u>	<u>11,962,891</u>	<u>-</u>	<u>-</u>	<u>231,717</u>	<u>34,106,131</u>
<u>41,966,914</u>	<u>18,949,572</u>	<u>151,200</u>	<u>-</u>	<u>339,341</u>	<u>66,081,686</u>
72,364	227,215	19,721	-	-	356,938
-	-	13,576	-	-	13,576
<u>46,445</u>	<u>382,039</u>	<u>218,773</u>	<u>209,541,631</u>	<u>321,620</u>	<u>263,025,300</u>
<u>118,809</u>	<u>609,254</u>	<u>252,070</u>	<u>209,541,631</u>	<u>321,620</u>	<u>263,395,814</u>
<u>19,042,169</u>	<u>543,824</u>	<u>33,404</u>	<u>-</u>	<u>3,175,785</u>	<u>74,271,355</u>
<u>48,220,504</u>	<u>272,357</u>	<u>14,055</u>	<u>-</u>	<u>-</u>	<u>52,315,654</u>
<u>\$ 140,630,145</u>	<u>\$ 22,862,694</u>	<u>\$ 1,385,714</u>	<u>\$ 209,541,631</u>	<u>\$ 3,836,746</u>	<u>\$ 501,656,264</u>

CITY OF WILMINGTON, NORTH CAROLINA

**Capital Assets Used in the Operation of Governmental Funds ⁽¹⁾
Schedule of Changes By Function and Activity**

Year Ended June, 30 2014

Function and Activity	July 1, 2013	Additions	Deductions
General government:			
City Manager	\$ 140,249	\$ 35,859	\$ -
Finance	24,725	9,217	-
Information Technology Services	2,879,794	(98,328)	(326,874)
Development Services	108,776	13,120	-
General government buildings	<u>38,812,805</u>	<u>4,527,630</u>	<u>(138,953)</u>
Total general government	<u>41,966,349</u>	<u>4,487,498</u>	<u>(465,827)</u>
Public safety:			
Police	31,790,552	224,233	(31,818)
Fire	<u>33,856,982</u>	<u>213,256</u>	<u>-</u>
Total public safety	<u>65,647,534</u>	<u>437,489</u>	<u>(31,818)</u>
Transportation:			
Traffic engineering	240,229	116,709	-
Transportation planning	13,576	-	-
Streets and drainage	<u>254,921,793</u>	<u>9,500,169</u>	<u>(8,351)</u>
Total transportation	<u>255,175,598</u>	<u>9,616,878</u>	<u>(8,351)</u>
Cultural and recreational:			
Parks and recreation	<u>67,624,862</u>	<u>4,923,650</u>	<u>(47,155)</u>
Economic and physical development	<u>52,304,154</u>	<u>11,500</u>	<u>-</u>
Total governmental funds capital assets	<u><u>\$ 482,718,497</u></u>	<u><u>\$ 19,477,015</u></u>	<u><u>\$ (553,151)</u></u>

⁽¹⁾ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

<u>Transfers</u>	<u>June 30, 2014</u>
\$ -	\$ 176,108
-	33,942
24,395	2,478,987
-	121,896
<u>(420,660)</u>	<u>42,780,822</u>
<u>(396,265)</u>	<u>45,591,755</u>
(7,412)	31,975,555
<u>35,893</u>	<u>34,106,131</u>
<u>28,481</u>	<u>66,081,686</u>
-	356,938
-	13,576
<u>(1,388,311)</u>	<u>263,025,300</u>
<u>(1,388,311)</u>	<u>263,395,814</u>
<u>1,769,998</u>	<u>74,271,355</u>
<u>-</u>	<u>52,315,654</u>
<u>\$ 13,903</u>	<u>\$ 501,656,264</u>

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Change in Ad Valorem Taxes Receivable

June 30, 2014

Fiscal Year	Uncollected Balance July 1, 2013	Additions	Collections and Credits	Uncollected Balance June 30, 2014
2013-2014	\$ -	\$ 59,345,505	\$ 58,401,236	\$ 944,269
2012-2013	1,027,809	-	660,368	367,441
2011-2012	320,242	-	97,924	222,318
prior years	<u>1,112,317</u>	<u>-</u>	<u>234,549</u>	<u>877,768</u>
	2,460,368	59,345,505	59,394,077	2,411,796
Less allowance for uncollectible taxes	<u>(1,099,148)</u>	<u>(372,582)</u>	<u>-</u>	<u>(1,471,730)</u>
Totals	<u>\$ 1,361,220</u>	<u>\$ 58,972,923</u>	<u>\$ 59,394,077</u>	<u>\$ 940,066</u>

Reconciliation of collections and credits:

New Hanover County tax office

remittances:

Taxes - ad valorem - current year - General Fund & Debt Service Fund \$ 59,144,185

Taxes - ad valorem - penalties and interest - General Fund 258,937

Total remittances 59,403,122

Other adjustments * 249,892

Less penalties and interest (258,937)

Total collections and credits \$ 59,394,077

* The source of this data, the New Hanover County Tax Office, has undergone a software conversion. At June 30, 2014, the software does not differentiate between discoveries, abatements and adjustments; therefore, this amount is presented as other adjustments.

CITY OF WILMINGTON, NORTH CAROLINA

Analysis of Current Tax Levy

For the Fiscal Year Ended June 30, 2014

	City - Wide		Total Levy		
	Property		Total	Property	Registered
	Valuation	Rate	Levy	excluding	Registered
				Registered	Motor
				Vehicles	Motor
				Vehicles	Vehicles
Original levy:					
Property taxed at current year's rate	\$12,984,450,786	\$ 0.4500	\$58,430,029	\$55,130,307	\$3,299,722
Motor vehicles taxed at prior year's rate	277,213,246	0.4500	1,247,460	-	1,247,460
second prior year's rate	316,520	0.3700	1,171	-	1,171
Penalties	-		74,346	74,346	-
Total	13,261,980,552		59,753,006	55,204,653	4,548,353
Discoveries: *					
Current year taxes	-		13,460	13,460	-
Total	-		59,766,466	55,218,113	4,548,353
Abatements *	-		-	-	-
Other adjustments *	(95,174,936)		(\$420,961)	(420,961)	-
Total property valuation	<u>\$13,166,805,616</u>				
Net levy			59,345,505	54,797,152	4,548,353
Uncollected taxes at June 30, 2014			944,269	757,262	187,007
Current year's taxes collected			<u>\$ 58,401,236</u>	<u>\$ 54,039,890</u>	<u>\$ 4,361,346</u>
Current levy collection percentage			<u>98.41%</u>	<u>98.62%</u>	<u>95.89%</u>

* The source of this data, the New Hanover County Tax Office, has undergone a software conversion. At June 30, 2014, the software does not differentiate between discoveries, abatements and adjustments; therefore, the net change from original levy is presented as other adjustments.

CITY OF WILMINGTON, NORTH CAROLINA

**Schedule of Receipts and Expenditures -
Room Occupancy Tax**

From Inception and Year Ended June 30, 2014

Receipts prior years	<u>\$ 20,699,092</u>
Receipts:	
July, 2013	307,835
August, 2013	292,781
September, 2013	235,373
October, 2013	225,587
November, 2013	180,142
December, 2013	115,147
January, 2014	116,724
February, 2014	158,053
March, 2014	208,664
April, 2014	269,121
May, 2014	334,428
June, 2014	<u>327,536</u>
Receipts current year	<u>2,771,391</u>
Receipts to date	<u><u>\$ 23,470,483</u></u>

CITY OF WILMINGTON, NORTH CAROLINA

**Schedule of Receipts and Expenditures -
Room Occupancy Tax (Continued)**

From Inception and Year Ended June 30, 2014

Disbursements prior years	<u>\$ 16,771,986</u>
Disbursements:	
Operating costs	297,571
Capital improvements and equipment	14,334
Marketing	300,634
Debt service	2,670,540
Fiscal agent fees	<u>3,718</u>
Disbursements current year	<u>3,286,797</u>
Disbursements to date	<u><u>\$ 20,058,783</u></u>

The information presented is required by Session Law 2002-139 Section 1.(e) as rewritten by session law 2006-167 Reports – each entity responsible for administering and spending the proceeds of a tax levied under this section must each annually publish a detailed, audited report on its receipts and expenditures of the room occupancy tax proceeds during the preceding year. The text of the report must be included in the minutes of the entity’s governing body and placed on a public web site, and must be made available in hard copy upon request.

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STATISTICAL SECTION TAB (FRONT)

STATISTICAL SECTION TAB (BACK)

STATISTICAL SECTION

This part of the City of Wilmington’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city’s overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	175 - 188
These schedules contain trend information to help the readers understand how the city’s financial performance and well-being have changed over time.	
Revenue Capacity	189 - 192
These schedules contain information to help the reader assess the city’s most significant local revenue source, the property tax.	
Debt Capacity	193 - 199
These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt and the city’s ability to issue additional debt in the future.	
Demographic and Economic Information	200
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	
Operating Information	201 - 206
These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF WILMINGTON, NORTH CAROLINA

Net Position by Component

**Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities:				
Net investment in capital assets (1), (3)	\$ 25,294,237	\$ 171,115,671	\$ 181,747,430	\$ 181,571,647
Restricted	13,456,749	14,850,785	16,934,004	21,704,213
Unrestricted	<u>60,423,011</u>	<u>57,353,717</u>	<u>53,473,106</u>	<u>57,751,482</u>
Total governmental activities net assets	<u>\$ 99,173,997</u>	<u>\$ 243,320,173</u>	<u>\$ 252,154,540</u>	<u>\$ 261,027,342</u>
Business-type activities:				
Net investment in capital assets (2), (3)	\$ 111,044,036	\$ 111,652,338	\$ 135,128,498	\$ 136,751,706
Restricted (2)	4,677,245	5,741,848	6,240,878	7,760,499
Unrestricted (2)	<u>51,836,295</u>	<u>59,694,303</u>	<u>48,212,615</u>	<u>56,929,680</u>
Total business-type activities net assets	<u>\$ 167,557,576</u>	<u>\$ 177,088,489</u>	<u>\$ 189,581,991</u>	<u>\$ 201,441,885</u>
Primary government:				
Net investment in capital assets	\$ 136,338,273	\$ 282,768,009	\$ 316,875,928	\$ 318,323,353
Restricted	18,133,994	20,592,633	23,174,882	29,464,712
Unrestricted	<u>112,259,306</u>	<u>117,048,020</u>	<u>101,685,721</u>	<u>114,681,162</u>
Total primary government net assets	<u>\$ 266,731,573</u>	<u>\$ 420,408,662</u>	<u>\$ 441,736,531</u>	<u>\$ 462,469,227</u>

Notes:

- (1) Net investment in capital assets, a component of governmental activities net position is restated in fiscal year 2006 to reflect the retroactive reporting of all major general infrastructure assets purchased, constructed or donated in fiscal years ending after June 30, 1980 in accordance with GASB Statement No. 34.
- (2) In connection with the creation of the Cape Fear Public Utility Authority (CFPUA) in 2009, the operations of the water, sewer and ground water systems, business-type activities, were transferred to the CFPUA resulting in a decrease in net position of \$166,183,586.
- (3) Net investment in capital assets, a component of governmental activities net position is restated in fiscal year 2012 to eliminate unamortized bond issuance costs, other than prepaid bond insurance, pursuant to GASB Statement No. 65.

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 187,569,283	\$ 188,091,906	\$ 196,686,945	\$ 194,247,449	\$ 200,558,434	\$ 212,542,837
22,617,510	25,903,793	38,931,386	36,203,247	35,729,753	40,472,965
<u>47,802,268</u>	<u>49,951,959</u>	<u>38,394,250</u>	<u>41,790,077</u>	<u>43,041,191</u>	<u>32,846,564</u>
<u>\$ 257,989,061</u>	<u>\$ 263,947,658</u>	<u>\$ 274,012,581</u>	<u>\$ 272,240,773</u>	<u>\$ 279,329,378</u>	<u>\$ 285,862,366</u>
\$ 18,275,937	\$ 20,982,210	\$ 22,487,707	\$ 30,255,544	\$ 28,826,675	\$ 31,426,724
2,368,253	2,378,156	2,378,156	2,368,578	2,104,545	2,005,412
<u>16,220,463</u>	<u>15,406,764</u>	<u>14,927,863</u>	<u>11,040,383</u>	<u>14,151,447</u>	<u>14,894,628</u>
<u>\$ 36,864,653</u>	<u>\$ 38,767,130</u>	<u>\$ 39,793,726</u>	<u>\$ 43,664,505</u>	<u>\$ 45,082,667</u>	<u>\$ 48,326,764</u>
\$ 205,845,220	\$ 209,074,116	\$ 219,174,652	\$ 224,502,993	\$ 229,385,109	\$ 243,969,561
24,985,763	28,281,949	41,309,542	38,571,825	37,834,298	42,478,377
<u>64,022,731</u>	<u>65,358,723</u>	<u>53,322,113</u>	<u>52,830,460</u>	<u>57,192,638</u>	<u>47,741,192</u>
<u>\$ 294,853,714</u>	<u>\$ 302,714,788</u>	<u>\$ 313,806,307</u>	<u>\$ 315,905,278</u>	<u>\$ 324,412,045</u>	<u>\$ 334,189,130</u>

CITY OF WILMINGTON, NORTH CAROLINA

Changes in Net Position

**Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities:				
General government	\$ 13,797,417	\$ 15,587,565	\$ 14,379,647	\$ 16,843,180
Public safety	29,693,336	32,353,256	35,864,890	41,557,316
Transportation	7,173,171	7,353,292	13,754,139	8,479,949
Economic and physical development	4,092,091	3,688,117	4,481,644	4,322,396
Environmental protection	-	-	-	7,459
Cultural and recreational	5,481,105	5,884,529	5,976,218	4,660,956
Transit system	2,835,153	827,836	1,103,344	1,237,043
Hurricane disaster recovery	899,162	396,542	-	-
Interest and other charges	2,243,752	3,563,334	3,425,526	3,692,957
Total governmental activities expenses	<u>66,215,187</u>	<u>69,654,471</u>	<u>78,985,408</u>	<u>80,801,256</u>
Business-type activities:				
Water and sewer (1)	22,296,851	24,423,115	28,480,953	28,340,892
Ground water utility (1)	3,604,276	4,310,438	4,417,676	4,369,353
Solid waste management	6,761,069	6,818,100	8,129,899	7,386,926
Storm water management	5,292,644	5,523,127	4,570,924	4,924,043
Parking facilities	1,857,034	2,398,299	2,009,319	2,328,314
Golf	832,772	908,034	908,037	1,012,558
Total business-type activities expenses	<u>40,644,646</u>	<u>44,381,113</u>	<u>48,516,808</u>	<u>48,362,086</u>
Total primary government expenses	<u>\$ 106,859,833</u>	<u>\$ 114,035,584</u>	<u>\$ 127,502,216</u>	<u>\$ 129,163,342</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,964,652	\$ 4,025,530	\$ 3,937,055	\$ 3,094,822
Public safety	430,717	675,317	976,645	1,027,819
Transportation	1,332,079	1,710,751	1,333,003	969,286
Economic and physical development	124,976	158,145	31,831	36,660
Environmental protection	-	-	-	-
Cultural and recreational	426,954	500,873	571,732	536,509
Operating grants and contributions	7,561,229	6,282,373	4,910,085	6,736,997
Capital grants and contributions	2,150,342	1,985,222	2,809,524	5,010,259
Total governmental activities program revenues	<u>15,990,949</u>	<u>15,338,211</u>	<u>14,569,875</u>	<u>17,412,352</u>
Business-type activities:				
Charges for services:				
Water and sewer (1)	24,611,004	27,493,488	29,820,501	30,303,159
Ground water utility (1)	3,956,352	4,393,099	4,824,661	5,005,979
Solid waste management	6,487,649	6,566,883	6,630,716	7,437,015
Storm water management	5,711,657	5,698,434	6,073,766	6,161,452
Parking facilities	1,664,599	1,866,433	1,820,003	2,408,489
Golf	772,099	946,886	1,063,172	1,192,758

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 17,979,039	\$ 17,913,454	\$ 18,442,793	\$ 20,114,233	\$ 19,005,283	\$ 19,631,088
43,127,730	46,623,265	42,201,402	44,197,292	43,916,157	46,131,851
9,834,553	11,223,125	12,744,479	14,764,044	13,431,747	13,850,270
4,367,773	2,128,078	5,843,970	6,200,611	6,045,907	6,196,637
-	-	500	-	-	-
8,226,690	10,418,701	7,727,790	9,049,044	9,398,082	9,465,475
1,149,733	1,522,702	1,427,915	1,242,136	1,296,849	1,285,000
-	-	-	-	-	-
<u>10,206,138</u>	<u>9,462,791</u>	<u>9,994,715</u>	<u>9,974,724</u>	<u>9,008,791</u>	<u>8,399,202</u>
<u>94,891,656</u>	<u>99,292,116</u>	<u>98,383,564</u>	<u>105,542,084</u>	<u>102,102,816</u>	<u>104,959,523</u>
-	-	-	-	-	-
-	-	-	-	-	-
7,929,943	7,510,722	7,595,390	8,348,911	9,576,553	10,433,131
5,766,847	5,939,703	6,022,115	6,943,112	6,718,269	6,788,592
2,468,358	2,394,835	2,319,874	2,694,467	2,695,420	2,802,364
1,108,490	1,136,189	1,107,126	1,285,853	1,294,985	1,293,363
<u>17,273,638</u>	<u>16,981,449</u>	<u>17,044,505</u>	<u>19,272,343</u>	<u>20,285,227</u>	<u>21,317,450</u>
<u>\$ 112,165,294</u>	<u>\$ 116,273,565</u>	<u>\$ 115,428,069</u>	<u>\$ 124,814,427</u>	<u>\$ 122,388,043</u>	<u>\$ 126,276,973</u>
\$ 2,172,178	\$ 2,588,922	\$ 2,691,275	\$ 2,928,020	\$ 3,466,422	\$ 3,961,251
1,036,796	911,408	1,386,725	1,317,184	1,369,009	1,078,557
907,676	726,216	1,311,696	1,841,929	1,396,371	1,469,697
64,364	336,894	1,096,703	1,798,487	2,865,612	3,252,606
-	6,622	19,429	58,679	18,147	11,886
561,479	629,547	611,597	669,215	725,220	777,142
8,242,549	8,587,862	7,744,008	9,455,773	9,487,283	7,113,819
4,423,055	17,861,814	13,272,496	5,868,811	5,392,585	5,128,944
<u>17,408,097</u>	<u>31,649,285</u>	<u>28,133,929</u>	<u>23,938,098</u>	<u>24,720,649</u>	<u>22,793,902</u>
-	-	-	-	-	-
-	-	-	-	-	-
7,814,331	8,163,730	8,113,378	8,272,400	8,385,641	8,433,430
6,219,759	6,775,129	7,114,617	7,815,701	8,372,383	8,810,446
2,606,508	2,274,661	2,035,573	2,577,363	3,105,607	3,156,906
1,093,880	1,119,498	1,169,854	1,227,520	1,129,265	852,982

CITY OF WILMINGTON, NORTH CAROLINA

Changes in Net Position (Continued)

**Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Program Revenues (continued)				
Business-type activities (continued):				
Operating grants and contributions	\$ -	\$ 162,349	\$ 90,412	\$ -
Capital grants and contributions	3,911,415	2,779,844	5,126,467	3,523,179
Total business-type activities program revenues	<u>47,114,775</u>	<u>49,907,416</u>	<u>55,449,698</u>	<u>56,032,031</u>
Total primary government program revenues	<u>\$ 63,105,724</u>	<u>\$ 65,245,627</u>	<u>\$ 70,019,573</u>	<u>\$ 73,444,383</u>
Net (expense)/revenue				
Governmental activities	\$ (50,224,238)	\$ (54,316,260)	\$ (64,415,533)	\$ (63,388,904)
Business-type activities	<u>6,470,129</u>	<u>5,526,303</u>	<u>6,932,890</u>	<u>7,669,945</u>
Total primary government net expense	<u>\$ (43,754,109)</u>	<u>\$ (48,789,957)</u>	<u>\$ (57,482,643)</u>	<u>\$ (55,718,959)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Ad valorem taxes	\$ 39,525,332	\$ 41,072,872	\$ 42,601,818	\$ 41,489,000
Room occupancy tax	3,551,896	1,758,422	1,849,385	1,926,903
Local option sales tax	14,799,445	16,252,524	16,897,125	16,643,044
Franchise tax	4,580,235	4,829,914	5,314,491	6,278,700
Video programming sales tax	-	-	594,024	1,381,040
Rental vehicle tax	161,076	170,860	169,451	158,599
Unrestricted grants and contributions	1,362,214	1,646,134	1,502,289	1,489,503
Investment earnings	1,392,501	3,173,990	4,428,359	2,672,323
Net decrease in fair value of investments	-	-	-	-
Miscellaneous	308,740	444,088	515,283	704,191
Special item: Conveyance of assets and liabilities to the Cape Fear Public Utility Authority, net (1)	-	-	-	-
Transfers from (to) other funds	<u>(316,727)</u>	<u>(791,073)</u>	<u>(622,325)</u>	<u>(481,597)</u>
Total governmental activities	<u>65,364,712</u>	<u>68,557,731</u>	<u>73,249,900</u>	<u>72,261,706</u>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	-
Investment earnings	943,660	3,138,187	4,934,347	3,708,352
Net decrease in fair value of investments	-	-	-	-
Miscellaneous	-	75,350	3,940	-
Special item: Cape Fear Public Utility Authority (1)	-	-	-	-
Transfers from (to) other funds	<u>316,727</u>	<u>791,073</u>	<u>622,325</u>	<u>481,597</u>
Total business-type activities	<u>1,260,387</u>	<u>4,004,610</u>	<u>5,560,612</u>	<u>4,189,949</u>
Total primary government	<u>\$ 66,625,099</u>	<u>\$ 72,562,341</u>	<u>\$ 78,810,512</u>	<u>\$ 76,451,655</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ 72,977	\$ 161,026	\$ 97,018
601,799	343,665	110,232	451,260	137,394	49,500
<u>18,336,277</u>	<u>18,676,683</u>	<u>18,543,654</u>	<u>20,417,221</u>	<u>21,291,316</u>	<u>21,400,282</u>
<u>\$ 35,744,374</u>	<u>\$ 50,325,968</u>	<u>\$ 46,677,583</u>	<u>\$ 44,355,319</u>	<u>\$ 46,011,965</u>	<u>\$ 44,194,184</u>
\$ (77,483,559)	\$ (67,642,831)	\$ (70,249,635)	\$ (81,603,986)	\$ (77,382,167)	\$ (82,165,621)
1,062,639	1,695,234	1,499,149	1,144,878	1,006,089	82,832
<u>\$ (76,420,920)</u>	<u>\$ (65,947,597)</u>	<u>\$ (68,750,486)</u>	<u>\$ (80,459,108)</u>	<u>\$ (76,376,078)</u>	<u>\$ (82,082,789)</u>
\$ 46,423,441	\$ 46,827,896	\$ 52,445,946	\$ 52,713,699	\$ 57,152,307	\$ 58,981,967
2,196,974	2,087,618	2,274,826	2,470,357	2,582,709	2,771,391
14,187,461	13,655,742	14,409,320	16,543,702	17,384,331	19,168,840
6,053,968	6,480,873	6,303,686	5,993,214	5,985,128	6,120,923
1,498,944	1,519,216	1,470,975	1,425,834	1,404,639	1,397,010
126,483	163,536	190,568	209,722	233,079	224,043
1,513,778	1,209,643	1,539,418	1,778,549	1,804,127	1,943,781
2,627,407	700,500	385,103	368,432	342,649	346,850
-	-	-	-	(429,320)	-
800,487	906,404	658,109	969,485	612,071	589,940
(983,665)	-	-	-	-	-
-	50,000	636,607	(2,640,816)	(729,380)	(2,846,136)
<u>74,445,278</u>	<u>73,601,428</u>	<u>80,314,558</u>	<u>79,832,178</u>	<u>86,342,340</u>	<u>88,698,609</u>
46,887	69,493	69,282	-	-	-
491,543	187,750	94,772	81,825	85,108	90,641
-	-	-	-	(117,037)	-
5,285	-	-	3,260	-	224,488
(166,183,586)	-	-	-	-	-
-	(50,000)	(636,607)	2,640,816	729,380	2,846,136
<u>(165,639,871)</u>	<u>207,243</u>	<u>(472,553)</u>	<u>2,725,901</u>	<u>697,451</u>	<u>3,161,265</u>
<u>\$ (91,194,593)</u>	<u>\$ 73,808,671</u>	<u>\$ 79,842,005</u>	<u>\$ 82,558,079</u>	<u>\$ 87,039,791</u>	<u>\$ 91,859,874</u>

CITY OF WILMINGTON, NORTH CAROLINA

Changes in Net Position (Continued)

**Last Ten Fiscal Years
(accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Change in Net Position				
Governmental activities (2)	\$ 15,140,474	\$ 14,241,471	\$ 8,834,367	\$ 8,872,802
Business-type activities (2)	<u>7,730,516</u>	<u>9,530,913</u>	<u>12,493,502</u>	<u>11,859,894</u>
Total primary government (2)	<u>\$ 22,870,990</u>	<u>\$ 23,772,384</u>	<u>\$ 21,327,869</u>	<u>\$ 20,732,696</u>

Notes:

- (1) In connection with the creation of the Cape Fear Public Utility Authority (CFPUA) in 2009, the operation of the water, sewer and ground water operations, business-type activities, were transferred to the CFPUA resulting in a decrease in net position of \$983,665 in governmental activities and a decrease of \$166,183,586 in business-type activities.
- (2) In fiscal year 2013, pursuant to the implementation of GASB Statement No. 65, previously deferred issuance costs totaling \$2,156,946 were recognized as an adjustment to beginning net position in the current year. Of this amount, \$1,871,568 related to governmental activities and \$285,378 related to business-type activities.

TABLE 2

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (3,038,281)	\$ 5,958,597	\$ 10,064,923	\$ (1,771,808)	\$ 8,960,173	\$ 6,532,988
<u>(164,577,232)</u>	<u>1,902,477</u>	<u>1,026,596</u>	<u>3,870,779</u>	<u>1,703,540</u>	<u>3,244,097</u>
<u><u>\$ (167,615,513)</u></u>	<u><u>\$ 7,861,074</u></u>	<u><u>\$ 11,091,519</u></u>	<u><u>\$ 2,098,971</u></u>	<u><u>\$ 10,663,713</u></u>	<u><u>\$ 9,777,085</u></u>

CITY OF WILMINGTON, NORTH CAROLINA

Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
General fund				
Reserved	\$ 7,723,813	\$ 8,194,268	\$ 10,155,466	\$ 10,390,938
Unreserved	<u>21,197,032</u>	<u>18,465,163</u>	<u>19,660,893</u>	<u>16,979,687</u>
Total general fund	<u>\$ 28,920,845</u>	<u>\$ 26,659,431</u>	<u>\$ 29,816,359</u>	<u>\$ 27,370,625</u>
All other governmental funds				
Reserved (1)	\$ 69,737,297	\$ 52,784,436	\$ 43,508,550	\$ 122,824,809
Unreserved (deficit), reported in				
Capital projects funds	-	-	(2,010,637)	(10,297,903)
Special revenue funds	<u>1,907,435</u>	<u>2,487,853</u>	<u>(1,034,055)</u>	<u>(1,720,616)</u>
Total all other governmental funds	<u>\$ 71,644,732</u>	<u>\$ 55,272,289</u>	<u>\$ 40,463,858</u>	<u>\$ 110,806,290</u>
	2011	2012	2013	2014
General fund				
Nonspendable	\$ 1,655,910	\$ 1,645,226	\$ 1,669,337	\$ 1,562,635
Restricted	10,298,303	10,454,446	11,237,732	11,435,444
Committed	-	-	9,613	42,970
Assigned	1,731,945	1,000,000	1,295,158	1,610,000
Unassigned	<u>17,353,940</u>	<u>23,791,938</u>	<u>29,245,251</u>	<u>31,383,688</u>
Total general fund	<u>\$ 31,040,098</u>	<u>\$ 36,891,610</u>	<u>\$ 43,457,091</u>	<u>\$ 46,034,737</u>
All other governmental funds				
Nonspendable	\$ 11,656	\$ 12,415	\$ 8,102	\$ 16,891
Restricted	66,554,476	52,939,929	49,882,087	39,854,806
Committed	12,186,092	12,167,997	12,732,992	10,659,480
Unassigned deficit	<u>(2,568,803)</u>	<u>(2,143,278)</u>	<u>(7,526,870)</u>	<u>(3,235,662)</u>
Total all other governmental funds	<u>\$ 76,183,421</u>	<u>\$ 62,977,063</u>	<u>\$ 55,096,311</u>	<u>\$ 47,295,515</u>

Notes: Includes General, Debt Service, Special Revenue and Capital Project Funds.

The City made the option to adopt GASB 54 fund balance presentation prospectively.

- (1) All other governmental funds reserved fund balances are restated in fiscal years 2008 and 2009 to recognize the full amount of proceeds in fiscal year 2008 related to an interlocal agreement with New Hanover County for parks development bonds.

TABLE 3

Fiscal Year	
<u>2009</u>	<u>2010</u>
\$ 7,391,627	\$ 9,196,737
<u>18,648,976</u>	<u>16,554,604</u>
<u>\$ 26,040,603</u>	<u>\$ 25,751,341</u>
\$ 96,461,401	\$ 89,486,186
(5,764,939)	(4,434,729)
<u>(1,204,827)</u>	<u>(1,577,463)</u>
<u>\$ 89,491,635</u>	<u>\$ 83,473,994</u>

CITY OF WILMINGTON, NORTH CAROLINA

Changes in Fund Balances of Governmental Funds

**Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes:				
Ad valorem taxes (1)	\$ 39,589,130	\$ 41,066,135	\$ 42,276,841	\$ 41,472,281
Room occupancy tax	3,035,500	2,274,818	1,849,385	1,926,903
Local option sales tax	14,799,445	16,252,524	16,897,125	16,643,044
Franchise tax	4,580,235	4,829,914	5,314,491	6,278,700
Video programming sales tax	-	-	594,024	1,381,040
Rental vehicle tax	161,076	170,860	169,451	158,599
Unrestricted intergovernmental	1,126,013	1,409,726	1,282,168	1,274,592
Restricted intergovernmental	8,854,406	6,731,853	5,944,434	9,547,884
Licenses and permits	3,235,686	3,433,560	3,428,378	2,521,011
Sales and services	4,246,620	4,887,896	5,328,383	5,436,909
Fines and forfeits	67,768	98,193	102,744	97,851
Investment earnings	1,166,673	3,003,871	3,847,968	2,399,420
Net decrease in fair value of investments	-	-	-	-
Donations	-	-	-	-
Miscellaneous	1,711,837	1,833,369	1,531,606	1,189,903
Total revenues	<u>82,574,389</u>	<u>85,992,719</u>	<u>88,566,998</u>	<u>90,328,137</u>
Expenditures				
General government	23,263,162	28,392,473	18,985,985	31,003,496
Public safety	30,211,315	48,631,834	43,590,416	44,124,315
Transportation	8,913,756	8,535,654	13,612,030	10,393,830
Economic and physical development	4,157,456	4,029,778	4,480,888	4,318,811
Environmental protection	-	-	-	14,158
Cultural and recreational	5,954,753	5,351,974	10,212,926	12,123,679
Transit system	2,835,153	827,836	1,103,344	1,237,043
Hurricane disaster recovery	899,162	396,542	-	-
Debt service (2)				
Principal retirement	4,585,416	4,658,821	4,375,252	4,405,767
Interest and other charges	2,131,877	3,355,149	3,211,459	3,163,108
Total expenditures	<u>82,952,050</u>	<u>104,180,061</u>	<u>99,572,300</u>	<u>110,784,207</u>
Excess of expenditures over revenues	<u>(377,661)</u>	<u>(18,187,342)</u>	<u>(11,005,302)</u>	<u>(20,456,070)</u>

TABLE 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 46,438,613	\$ 46,815,757	\$ 52,304,940	\$ 52,869,871	\$ 57,193,858	\$ 59,403,121
2,196,974	2,087,618	2,274,826	2,470,357	2,582,709	2,771,391
14,187,461	13,655,742	14,409,320	16,543,702	17,384,331	19,168,840
6,053,968	6,480,873	6,303,686	5,993,214	5,985,128	6,120,923
1,498,944	1,519,216	1,470,975	1,425,834	1,404,639	1,397,010
126,483	163,536	190,568	209,722	233,079	224,043
1,304,492	973,523	1,340,967	1,585,367	1,627,624	1,771,881
12,895,964	17,581,934	16,539,325	17,215,569	17,940,589	13,062,264
2,359,711	2,360,546	2,510,282	2,534,736	2,808,334	3,092,735
2,035,533	2,013,273	3,409,479	4,888,935	5,358,905	5,394,557
71,255	60,202	106,791	175,075	142,141	253,712
2,446,210	632,785	351,602	334,754	286,621	337,943
-	-	-	-	(384,493)	-
-	245,372	438,751	278,042	623,174	74,273
<u>1,343,945</u>	<u>1,585,967</u>	<u>1,464,191</u>	<u>1,699,959</u>	<u>1,432,588</u>	<u>1,510,756</u>
<u>92,959,553</u>	<u>96,176,344</u>	<u>103,115,703</u>	<u>108,225,137</u>	<u>114,619,227</u>	<u>114,583,449</u>
18,091,033	16,724,587	16,972,610	19,378,427	17,345,766	21,834,095
42,766,280	39,865,899	38,386,732	43,736,654	41,719,713	42,382,161
17,345,355	17,143,064	15,463,714	15,706,490	18,240,703	17,109,467
21,464,273	21,098,597	9,376,853	5,222,736	4,846,784	4,705,182
-	-	500	-	-	-
11,332,882	16,787,662	12,923,013	9,829,260	9,536,408	10,484,545
1,149,733	1,522,702	1,427,915	1,242,136	1,296,849	1,285,000
-	-	-	-	-	-
8,608,348	9,811,333	10,434,615	10,529,457	12,531,308	12,915,558
<u>9,416,233</u>	<u>9,244,469</u>	<u>9,857,124</u>	<u>10,211,066</u>	<u>9,256,345</u>	<u>8,893,071</u>
<u>130,174,137</u>	<u>132,198,313</u>	<u>114,843,076</u>	<u>115,856,226</u>	<u>114,773,876</u>	<u>119,609,079</u>
<u>(37,214,584)</u>	<u>(36,021,969)</u>	<u>(11,727,373)</u>	<u>(7,631,089)</u>	<u>(154,649)</u>	<u>(5,025,630)</u>

CITY OF WILMINGTON, NORTH CAROLINA

Changes in Fund Balances of Governmental Funds (Continued)

**Last Ten Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year			
	2005	2006	2007	2008
Other financing sources (uses)				
Transfers from other funds	\$ 18,633,309	\$ 19,534,201	\$ 14,226,412	\$ 17,209,961
Transfers to other funds	(19,026,558)	(20,324,515)	(14,848,737)	(17,605,890)
Issuance of bonds	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Issuance of installment obligations	47,365,000	-	-	62,495,000
Issuance of refunding installment obligations	-	-	-	-
Issuance of other long-term obligations (3)	1,184,184	273,803	1,093,500	26,270,000
Premium on bonds	-	-	-	-
Premium on refunding bonds	-	-	-	-
Premium on refunding installment obligations	-	-	-	-
Premium on installment obligations	2,258,494	-	-	-
Premium on other long-term obligations	-	-	-	-
Discount on installment obligations	-	-	-	(36,997)
Payment to redeem outstanding bonds	-	-	-	-
Payment to refund outstanding installment obligations	(8,535,107)	-	-	-
Payment to refund outstanding other long-term obligations	-	-	(1,093,500)	-
Total other financing sources (uses)	<u>41,879,322</u>	<u>(516,511)</u>	<u>(622,325)</u>	<u>88,332,074</u>
Net change in fund balances	<u>\$ 41,501,661</u>	<u>\$ (18,703,853)</u>	<u>\$ (11,627,627)</u>	<u>\$ 67,876,004</u>
Debt service as a percentage of noncapital expenditures	9.4%	10.9%	9.6%	9.3%

Notes: Includes General, Debt Service, Special Revenue and Capital Project Funds.

- (1) Includes related penalties and interest.
- (2) Beginning in fiscal year 2005, debt service is accounted for in the Debt Service Fund.
- (3) Issuance of other long-term obligations are restated in fiscal years 2008 and 2009 to reflect the full amount of proceeds in fiscal year 2008 related to an interlocal agreement with New Hanover County for issuance of parks development bonds.

TABLE 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 16,405,136	\$ 14,648,058	\$ 13,781,205	\$ 13,688,174	\$ 12,440,785	\$ 23,093,276
(16,405,136)	(14,598,058)	(13,136,626)	(14,171,174)	(13,672,844)	(26,419,412)
14,605,000	-	-	-	-	3,050,000
-	-	8,660,000	-	-	-
-	23,870,000	3,120,000	-	-	-
-	8,910,000	-	24,673,750	-	-
-	5,065,807	-	-	-	-
121,181	-	366,839	-	-	59,359
-	-	130,992	-	-	-
-	-	-	3,044,534	-	-
-	177,422	-	-	-	-
-	411,685	-	-	-	-
-	-	-	-	-	-
-	-	(3,206,125)	-	-	-
-	(8,832,450)	-	(12,976,827)	-	-
-	-	-	(14,022,484)	-	-
<u>14,726,181</u>	<u>29,652,464</u>	<u>9,716,285</u>	<u>235,973</u>	<u>(1,232,059)</u>	<u>(216,777)</u>
<u>\$ (22,488,403)</u>	<u>\$ (6,369,505)</u>	<u>\$ (2,011,088)</u>	<u>\$ (7,395,116)</u>	<u>\$ (1,386,708)</u>	<u>\$ (5,242,407)</u>
19.4%	19.3%	20.9%	20.2%	21.7%	21.1%

TABLE 5

CITY OF WILMINGTON, NORTH CAROLINA

Assessed and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Service Companies</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Assessed Taxable Value as a Percentage of Actual Value</u>
2005	\$ 7,159,369,535	\$ 1,233,951,171	\$ 149,194,323	\$ 8,542,515,029	\$ 0.4600	100 %
2006	7,421,238,230	1,333,505,244	150,444,028	8,905,187,502	0.4600	100
2007	7,682,889,110	1,411,828,677	101,833,749	9,196,551,536	0.4600	100
2008	12,002,372,073	1,491,937,992	149,180,498	13,643,490,563 ⁽¹⁾	0.3000	100
2009	12,271,215,860	1,528,093,049	153,314,021	13,952,622,930	0.3325	100
2010	12,471,675,092	1,440,865,238	149,960,983	14,062,501,313	0.3325	100
2011	12,565,723,884	1,385,359,953	141,944,441	14,093,028,278	0.3700	100
2012	12,639,603,074	1,464,781,289	143,265,912	14,247,650,275	0.3700	100
2013	11,125,165,816	1,485,306,622	145,138,176	12,755,610,614 ⁽¹⁾	0.4500	100
2014	11,226,688,818	1,802,866,972	137,249,826	13,166,805,616	0.4500	100

Source: New Hanover County Tax Office

Notes: ⁽¹⁾ Property in New Hanover County is appraised at least once every eight years on average as required by state law. Property is assessed at 100 percent of value. Tax rates are per \$100 of assessed value.

TABLE 6

CITY OF WILMINGTON, NORTH CAROLINA
Property Tax Rates - Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year Ended	City of Wilmington			Total Direct Rate	New Hanover County Overlapping Rates	Total Direct & Overlapping Rates
	General	Debt Service	Capital Projects			
2005	\$ 0.4600	\$ -	\$ -	\$ 0.4600	\$ 0.6800	\$ 1.1400
2006	0.4600	-	-	0.4600	0.6800	1.1400
2007	0.4600	-	-	0.4600	0.6850	1.1450
2008	0.3000	-	-	0.3000	0.4200	0.7200
2009	0.3325	-	-	0.3325	0.4525	0.7850
2010	0.3325	-	-	0.3325	0.4525	0.7850
2011	0.3700	-	-	0.3700	0.4655	0.8355
2012	0.3700	-	-	0.3700	0.4655	0.8355
2013	0.4000	0.0453 ⁽¹⁾	0.0047 ⁽¹⁾	0.4500	0.5540	1.0040
2014	0.4000	0.0453	0.0047	0.4500	0.5540	1.0040

Source: New Hanover County Tax Office

Notes: Overlapping rates are those of the county government that apply to property owners within the City of Wilmington. This is in addition to the City tax rate that is levied on residents within the corporate limits. The City tax rate may not exceed \$1.50 per \$100 of assessed value under state law.

(1) Beginning in fiscal year 2013, City Council earmarked a portion of the property tax rate for debt service and the adopted Five Year Capital Improvement Plan.

TABLE 7

CITY OF WILMINGTON, NORTH CAROLINA

Top Ten Taxpayers

Current Year and Nine Years Ago

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corning Inc.	\$ 220,252,069	1	1.67 %	\$ 163,807,829	1	1.96 %
River Ventures LLC (PPD)	77,920,600	2	0.59	-		-
Progress Energy (CP&L)	57,510,780	3	0.44	68,127,976	2	0.82
Centro Independence LLC (mall)	54,078,800	4	0.41	37,988,012	5	0.46
GS II University Centre LLC	36,458,500	5	0.28	22,347,233	6	0.27
BellSouth Tel Co.	34,174,091	6	0.26	50,598,718	3	0.61
Wal Mart	33,015,922	7	0.25	-		-
Mayfair Retail LLC	32,362,300	8	0.25	-		-
NNP IV Cape Fear River LLC	30,010,200	9	0.23	-		-
Aaipharma Services Corp	28,454,322	10	0.22	-		-
UDRT of North Carolina LLC	-		-	43,676,606	4	0.52
Piedmont Natural Gas Co Inc	-		-	18,113,961	7	0.22
National Gypsum Co	-		-	11,579,229	8	0.14
Belk Berry Co.	-		-	11,578,750	9	0.14
Landfall Associates	-		-	11,466,319	10	0.14
	<u>\$ 604,237,584</u>		<u>4.60 %</u>	<u>\$ 439,284,633</u>		<u>5.27 %</u>

Source: New Hanover County Tax Office

TABLE 8

CITY OF WILMINGTON, NORTH CAROLINA

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Total Tax Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 39,393,630	\$ 38,704,342	98.25 %	\$ 586,498	\$ 39,290,840	99.74 %
2006	41,015,008	40,344,559	98.37	572,262	40,916,821	99.76
2007	42,368,273	41,565,365	98.10	664,704	42,230,069	99.67
2008	41,416,471	40,641,812	98.13	649,929	41,291,741	99.70
2009	46,343,406	45,631,444	98.46	598,993	46,230,437	99.76
2010	46,849,408	46,128,218	98.46	578,066	46,706,284	99.69
2011	52,346,928	51,575,699	98.53	613,465	52,189,164	99.70
2012	52,949,958	52,020,321	98.24	707,319	52,727,640	99.58
2013	57,290,274	56,262,465	98.21	660,368	56,922,833	99.36
2014	59,345,505	58,401,236	98.41	-	58,401,236	98.41

Source: New Hanover County Tax Office

TABLE 9

CITY OF WILMINGTON, NORTH CAROLINA

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Installment Obligations	Other Long-term Obligations	General Obligation Bonds	Revenue Bonds	Installment Obligations	Other Long-term Obligations			
2005	\$ 15,251,701	\$ 61,197,259	\$ 7,468,017	\$ 33,598,299	\$ 18,418,416	\$ 30,250,758	\$ 775,363	\$ 166,959,813	5.93 %	1,763
2006	12,962,155	52,500,673	12,398,500	30,422,845	70,404,118	29,639,327	1,419,811	209,747,429	6.98	2,159
2007	10,819,973	50,907,104	12,915,737	27,245,027	69,357,690	28,437,896	1,037,576	200,721,003	6.29	2,037
2008	8,569,853	111,728,535	36,706,193	21,085,147	81,103,686	27,211,465	640,586	287,045,465	8.42	2,849
2009	39,355,000 ⁽²⁾	127,104,966 ⁽²⁾	33,426,711	- ⁽²⁾	13,490,000	8,855,034 ⁽²⁾	228,870	222,460,581	6.45	2,191
2010	33,865,000	148,531,397	34,624,824	-	13,065,000	8,373,603	-	238,459,824	6.65	2,333
2011	37,890,000	144,412,828	32,079,818	-	12,625,000	7,892,172	-	234,899,818	6.09	2,198
2012	33,565,000	152,918,750	15,312,750	-	12,160,000	6,971,250	-	220,927,750	5.43	2,039
2013	28,990,000	145,715,500	14,559,692	-	11,680,000	6,509,500	3,365,817	210,820,509	N/A	1,922
2014	27,240,000	138,353,000	13,806,634	-	11,180,000	6,077,000	3,010,000	199,666,634	N/A	1,786

Notes: This presentation does not reflect unamortized original issue discounts and premiums. This and other details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Table 14, Demographic and Economic Statistics for personal income and population data.

(2) The operations of the water, sewer and groundwater systems, business-type activities, were transferred to the Cape Fear Public Utility Authority (CFPUA) in 2009. Outstanding general obligation bonds and installment obligations related to those systems were not assigned to the CFPUA and continue to be obligations of the City. These obligations are classified as governmental activities and are reimbursed to the City by the CFPUA.

CITY OF WILMINGTON, NORTH CAROLINA

Ratios of General Bond Debt Outstanding

Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property ⁽¹⁾	Per Capita ⁽²⁾
2005	\$ 15,251,701	0.18 %	\$ 161
2006	12,962,155	0.15	133
2007	10,819,973	0.12	110
2008	8,569,853	0.06	85
2009	39,355,000 ⁽³⁾	0.28	388
2010	33,865,000	0.24	331
2011	37,890,000	0.27	355
2012	33,565,000	0.24	310
2013	28,990,000	0.23	264
2014	27,240,000	0.21	244

Notes: This presentation does not reflect unamortized original issue discounts and premiums. This and other details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) See Table 5, Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value.
- (2) Population data can be found in Table 14, Schedule of Demographic and Economic Statistics.
- (3) The operations of the water, sewer and groundwater systems, business-type activities, were transferred to the Cape Fear Public Utility Authority (CFPUA) in 2009. The outstanding general obligation bonds related to those systems were not assigned to the CFPUA and continue to be obligations of the City. These obligations are classified as governmental activities and are reimbursed to the City by the CFPUA.

CITY OF WILMINGTON, NORTH CAROLINA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Jurisdiction	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
New Hanover County	\$ 395,244,017	44.31 %	\$ 175,132,624
City of Wilmington direct debt			<u>165,592,999</u> ^{(2), (3)}
Total direct and overlapping debt			<u>\$ 340,725,623</u>

Source: Assessed value data used to estimate applicable percentages provided by the New Hanover Tax Office. Debt outstanding data provided by each government.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Wilmington. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

This presentation does not reflect unamortized original issue discounts and premiums. This and other details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total assessed value.
- (2) The operations of the water, sewer and groundwater systems, business-type activities, were transferred to the Cape Fear Public Utility Authority (CFPUA) in 2009. Included in the City's direct debt are the outstanding general obligation bonds and installment obligations related to those systems that were not assigned to the CFPUA and continue to be obligations of the City. These obligations are classified as governmental activities and are reimbursed to the City by the CFPUA.
- (3) The City's direct debt includes outstanding other long-term obligations payable by interlocal agreement to New Hanover County that represent a portion of general obligation bonds issued by the County for park development on the City's behalf. To avoid duplication of these obligations on this overlapping presentation, the City's direct debt has been reduced by \$13,806,635, the amount of the City's obligation to the County at June 30, 2014.

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CITY OF WILMINGTON, NORTH CAROLINA

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
Debt limit	\$ 683,401,202	\$ 712,415,000	\$ 735,724,123	\$ 1,091,479,245
Total net debt applicable to debt limit	<u>114,698,689</u>	<u>114,885,464</u>	<u>107,225,070</u>	<u>184,856,632</u>
Legal debt margin	<u>\$ 568,702,513</u>	<u>\$ 597,529,536</u>	<u>\$ 628,499,053</u>	<u>\$ 906,622,613</u>
Total net debt applicable to the debt limit as a percentage of the debt limit	16.78%	16.13%	14.57%	16.94%
Total net debt applicable to the debt limit as a percentage of the debt limit excluding installment obligations reimbursed by the Cape Fear Public Utility Authority (1)	N/A	N/A	N/A	N/A

Legal Debt Margin Calculation for Fiscal Year 2014

Total assessed valuation at June 30, 2014	<u>\$ 13,166,805,616</u>
Debt limit: 8% of total assessed value	\$ 1,053,344,449
Amount of debt applicable to debt limit:	
General obligation bonds (1)	\$ 27,240,000
Other debt (excluding revenue bonds) (1)	<u>161,246,634</u>
Gross debt	188,486,634
Less deductions allowed by law:	
Water and sewer general obligation bonds (1)	<u>2,355,000</u>
Total net debt applicable to debt limit	<u>186,131,634</u>
Legal debt margin	<u>\$ 867,212,815</u>

Notes: Under state law, the City of Wilmington's debt limit should not exceed 8% of the City's assessed valuation.

Total net debt is total outstanding bonded debt (other than revenue bonds) plus other outstanding debt minus funding and refunding bonds authorized but not yet issued and bonded debt incurred for water and sewer enterprise operations.

(1) The operations of the water, sewer and groundwater systems, business-type activities, were transferred to the Cape Fear Public Utility Authority (CFPUA) in 2009. Included in the City's gross debt are the outstanding general obligation bonds and installment obligations related to those systems not assigned to the CFPUA and remain obligations of the City. These obligations are classified as governmental activities and are reimbursed to the City by the CFPUA.

TABLE 12

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$1,116,209,834	\$1,125,000,105	\$1,127,442,262	\$1,139,812,022	\$1,020,448,849	\$1,053,344,449
<u>191,154,049</u>	<u>211,184,824</u>	<u>211,089,818</u>	<u>200,567,750</u>	<u>193,885,509</u>	<u>186,131,634</u>
<u>\$ 925,055,785</u>	<u>\$ 913,815,281</u>	<u>\$ 916,352,444</u>	<u>\$ 939,244,272</u>	<u>\$ 826,563,340</u>	<u>\$ 867,212,815</u>
17.13%	18.77%	18.72%	17.60%	19.00%	17.67%
15.59%	17.33%	17.36%	16.32%	17.67%	16.47%

CITY OF WILMINGTON, NORTH CAROLINA

Pledged-Revenue Coverage

Last Seven Fiscal Years

Fiscal Year Ended June 30	Storm Water Fee Revenue Bonds ⁽³⁾					
	Gross Revenues ⁽¹⁾	Less Operating Expenses ⁽²⁾	Net Available Revenue	Debt Service ⁽⁴⁾		Coverage
				Principal	Interest	
2008	\$ 6,734,019	\$ 4,372,127	\$ 2,361,892	\$ 405,000	\$ 646,869	2.25
2009	6,549,226	4,883,353	1,665,873	425,000	629,656	1.58
2010	6,899,956	4,690,638	2,209,318	440,000	611,594	2.10
2011	7,172,876	4,778,757	2,394,119	465,000	592,894	2.26
2012	7,862,372	5,708,977	2,153,395	480,000	573,131	2.04
2013	8,356,458	5,440,283	2,916,175	500,000	552,731	2.77
2014	8,925,596	5,389,963	3,535,633	520,000	531,481	3.36

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

⁽¹⁾ Gross revenues include all fees, other charges and investment income.

⁽²⁾ Operating expenses do not include interest, depreciation and amortization expenses.

⁽³⁾ Storm Water Revenue Bonds were issued for the first time in the fiscal year ended June 30, 2008.

⁽⁴⁾ Principal and interest expenses are for the succeeding fiscal year according to the terms of the bond covenants.

CITY OF WILMINGTON, NORTH CAROLINA

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year Ended June 30	Population ⁽¹⁾	Personal Income (amounts expressed in thousands)	Per Capita Income ⁽²⁾	Median Age ⁽³⁾	School Enrollment ⁽⁴⁾	Unemployment Ratio ⁽⁵⁾
2005	94,718	2,817,103	29,742	37.1	12,610	4.7
2006	97,135	3,003,220	30,918	37.3	12,977	4.0
2007	98,529	3,191,748	32,394	37.6	13,394	4.0
2008	100,746	3,411,058	33,858	37.6	12,935	5.2
2009	101,526	3,448,229	33,964	38.0	12,948	8.8
2010	102,207	3,585,933	35,085	38.5	12,388	9.2
2011	106,882	3,859,295	36,108	37.3	12,360	9.5
2012	108,337	4,069,029	37,559	37.5	12,169	8.3
2013	109,689	N/A	N/A	37.8	12,518	7.8
2014	111,773	N/A	N/A	37.9	12,630	5.7

Sources and notes:

- (1) Office of State Budget and Management's certified municipal estimates.
- (2) United States Bureau of Economic Analysis.
- (3) United States Census, Median age statistics are for New Hanover County as a whole, which includes the City of Wilmington.
- (4) New Hanover County Public Schools.
- (5) North Carolina Employment Security Commission (LAUS). City of Wilmington.

TABLE 15

CITY OF WILMINGTON, NORTH CAROLINA

Principal Employers

Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
New Hanover Health Network*	5,991	1	5.75 %	4,600	1	4.84 %
New Hanover County Schools**	3,645	2	3.50	3,130	2	3.30
General Electric Nuclear Fuel/Aircraft***	2,195	3	2.11	1,850	3	1.95
University of North Carolina (Wilmington)*	1,844	4	1.77	1,630	4	1.72
New Hanover County**	1,563	5	1.50	1,370	5	1.44
Pharmaceutical Products Development*	1,464	6	1.41	900	9	0.95
Verizon Wireless*	1,216	7	1.17	900	9	0.95
Cape Fear Community College*	1,176	8	1.13	-	-	-
Corning, Inc*	1,000	9	0.96	850	10	0.90
City of Wilmington*	995	10	0.96	1,130	6	1.19
United States Government*	-	-	-	940	8	0.99
Wal-mart**	-	-	-	1,050	7	1.11
Total	<u>21,089</u>		<u>20.25 %</u>	<u>18,350</u>		<u>19.32 %</u>

Sources: Greater Wilmington Business Journal, New Hanover County, New Hanover County Board of Education, and GE Aviation and GE Hitachi Nuclear Energy

Notes:

* Located within the City of Wilmington

** Located partially in City

*** Located within New Hanover County

(1) Total employment numbers available from North Carolina Employment Security Commission only on a county basis.

TABLE 16

CITY OF WILMINGTON, NORTH CAROLINA

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	155	161	168	173	159	146	146	145	146	147
Public Safety										
Police										
Policeman and officers	251	253	254	262	262	249	250	250	266	266
Civilians	43	43	48	58	58	57	56	56	58	59
Fire										
Firemen and officers	210	210	212	216	216	212	210	210	210	210
Civilians	7	7	8	8	8	8	10	10	10	10
Code enforcement	9	11	11	11	11	9	8	8	8	8
Transportation	61	61	62	62	63	54	54	54	56	57
Economic and Physical Development	12	13	13	13	13	9	9	8	8	8
Cultural and Recreational	73	74	79	82	83	75	75	74	74	74
Solid Waste	59	87	91	93	93	92	88	88	83	83
Water and Sewer	157	159	178	183	- (1)	-	-	-	-	-
Groundwater Utility	18	18	7	7	- (1)	-	-	-	-	-
Storm Water Management	58	58	59	59	59	59	59	59	60	60
Parking Facilities	1	1	1	1	2	2	2	2	2	2
Golf Course	9	9	9	9	9	9	9	11	11	11
Total	1,123	1,165	1,200	1,237	1,036	981	976	975	992	995

Source: City Budget Office.

Notes:

(1) In connection with the creation of the Cape Fear Public Utility Authority (CFPUA) in 2009, the employees of the water, sewer, and ground water operations, business-type activities, were transferred to the CFPUA.

TABLE 17

CITY OF WILMINGTON, NORTH CAROLINA

Operating Indicators by Function

Last Ten Fiscal Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Calls dispatched	154,959	179,088	173,235	179,803	180,194	170,552	182,124	177,042	173,980	176,195
Part I crimes	7,966	8,363	7,410	7,426	6,576	6,902	6,146	6,556	6,094	6,024
Fire										
Actual fires	568	583	597	482	462	494	561	531	503	492
Fire department responses	9,567	10,364	9,807	9,536	9,221	9,404	9,750	10,574	10,548	12,386
Fire inspections completed	5,115	4,925	6,791	4,455	4,676	4,996	5,776	4,786	4,680	5,964
Streets and Sidewalks Maintenance										
Miles of streets resurfaced	13	8	6	16	4	4	2	4	8	22
Solid Waste										
Tons of residential refuse	29,808	29,986	28,552	27,124	25,855	24,505	28,834	23,808	22,475	22,120
Tons of recyclables	4,831	4,526	4,454	4,818	4,785	5,402	5,253	5,643	6,109	5,853
Storm Water										
Number of customers	N/A	N/A	29,764	28,119	28,229	29,212	29,218	29,208	29,238	29,354
ERUs	75,926	80,126	80,298	85,019	87,760	89,357	92,174	92,027	92,113	92,345
Golf Course										
Total number of regular rounds	N/A	55,460	55,000	54,000	55,500	50,619	58,761	60,856	54,238	38,981 (1)

Source: Various City departments and the Cape Fear Public Utility Authority.

Notes: Indicators are not available for the general government function.

(1) The municipal golf course was closed for a portion of fiscal year 2014 for greens renovatios.

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CITY OF WILMINGTON, NORTH CAROLINA

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year		
	2005	2006	2007
Police			
Stations / facilities	2	2	2
Patrol units	192	239	316
Fire			
Fire stations	9	9	10
Transportation			
Streets (miles)	382	383	383
Streetlights (2)	440	440	440
Cultural and Recreational			
Parks	33	33	34
Parks acreage	391	391	392
Athletic and recreation facilities	13	13	13
Athletic and recreation facilities acreage	206	206	206
Solid Waste			
Collection trucks	42	56	65
Storm Water			
Storm sewers (miles)	382	383	383
Parking			
Parking Decks	2	2	2
Fleet			
Vehicles (excluding patrol units)	368	387	410

Source: Various City departments.

Notes: No capital assets indicators are available for the general government function.

- (1) Beginning in fiscal year 2014, the City's estimated storm sewer miles is derived from geographic information system mapping of its storm water infrastructure inventory. In prior years, this estimate was derived by the approximate mileage of City maintained streets.
- (2) The number of streetlights does not include leased streetlights which are owned and maintained by Duke Energy Progress.

TABLE 18

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
2	2	2	2	2	2	2
295	289	282	285	271	270	283
10	11	11	11	11	11	11
385	387	393	397	398	398	399
515	516	511	569	548	686	688
35	36	36	36	36	37	39
392	409	409	409	409	411	418
13	13	14	15	16	16	16
206	206	295	298	326	326	326
53	55	50	50	54	52	56
385	387	393	397	398	398	455 (1)
2	2	2	3	3	4	4
370	237	282	269	247	226	242

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COMPLIANCE SECTION TAB (FRONT)

COMPLIANCE SECTION TAB (BACK)



**Independent Auditor's Report on
Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

To the Honorable Mayor
and Members of the City Council
City of Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wilmington, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Wilmington's basic financial statements, and have issued our report thereon dated December 11, 2014.

The City's basic financial statements include the operations of the Cape Fear Public Transportation Authority, a discretely presented component unit of the City of Wilmington. Our audit, described below, did not include the operations of Cape Fear Public Transportation Authority because this component unit separately engaged us to perform an audit in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wilmington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wilmington's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wilmington's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGladrey LLP

Wilmington, North Carolina
December 11, 2014



**Independent Auditor's Report
on Compliance for Each Major Federal Program
and on Internal Control Over Compliance
in Accordance with OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Wilmington, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Wilmington, North Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Wilmington's major federal programs for the year ended June 30, 2014. The City of Wilmington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Cape Fear Public Transportation Authority, a discretely presented component unit of the City of Wilmington, which received \$7,219,161 in federal awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of Cape Fear Public Transportation Authority because this component unit separately engaged us to perform an audit in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Wilmington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal

program occurred. An audit includes examining, on a test basis, evidence about the City of Wilmington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Wilmington's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Wilmington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Wilmington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Wilmington's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Wilmington, North Carolina
December 11, 2014



**Independent Auditor's Report
on Compliance for Each Major State Program
and on Internal Control Over Compliance
in Accordance with Applicable Sections of
OMB Circular A-133 and the
State Single Audit Implementation Act**

To the Honorable Mayor and
Members of the City Council
City of Wilmington, North Carolina

Report on Compliance for Each Major State Program

We have audited the City of Wilmington, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014. The City of Wilmington's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the Cape Fear Public Transportation Authority, a discretely presented component unit of the City of Wilmington, which received \$1,433,741 in state awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of Cape Fear Public Transportation Authority because this component unit separately engaged us to perform an audit in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Wilmington's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* as described in the *Audit Manual for Government Auditors in North Carolina* and the *State Single Audit Implementation Act*. Those standards, applicable sections of OMB Circular A-133 and the *State Single Audit Implementation Act*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Wilmington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the City of Wilmington's compliance.

Opinion on Each Major State Program

In our opinion, the City of Wilmington complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the City of Wilmington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Wilmington's internal control over compliance with the types of requirements that could have a direct and material effect on each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Wilmington, North Carolina
December 11, 2014

City of Wilmington, North Carolina

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial
statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133?

Yes No

Identification of major federal programs:

CFDA Number(s)
14.218

Name of Federal Program or Cluster
Community Development Block Grant

14.239

Home Investment Partnerships

City of Wilmington, North Carolina

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014

Section I -- Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

X Yes ___ No

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified? ___ Yes X None reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with the State Single Audit Implementation Act?

___ Yes X No

Identification of major State programs:

Powell Bill

City of Wilmington, North Carolina

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2014**

Section II -- Financial Statement Findings

None reported

Section III -- Federal Award Findings and Questioned Costs

None reported

Section IV -- State Award Findings and Questioned Costs

None reported

City of Wilmington, North Carolina

**Corrective Action Plan
For the Year Ended June 30, 2014**

No corrective action plan is required for the current year.

City of Wilmington, North Carolina

**Schedule of Prior Audit Findings
For the Year Ended June 30, 2014**

None reported in prior year.

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
Federal Awards:						
<u>U.S. Department of Housing and</u>						
<u>Urban Development</u>						
Office of Community Planning & Development:						
Direct Programs:						
Community Development Block Grants	14.218	B-06-MC-370010	-	\$ 8,704	\$ -	\$ -
Community Development Block Grants	14.218	B-07-MC-370010	-	25,196	-	-
Community Development Block Grants	14.218	B-09-MC-370010	-	40,813	-	-
Community Development Block Grants	14.218	B-10-MC-370010	-	19,933	-	-
Community Development Block Grants	14.218	B-11-MC-370010	-	91,754	-	-
Community Development Block Grants	14.218	B-12-MC-370010	-	37,252	-	-
Community Development Block Grants	14.218	B-13-MC-370010	-	706,740	-	3,000
Total Community Development Block Grants				930,392	-	3,000
Home Investment Partnerships Program	14.239	M-09-MC-37-0207	-	13,131	-	-
Home Investment Partnerships Program	14.239	M-10-MC-37-0207	-	85,148	-	-
Home Investment Partnerships Program	14.239	M-11-MC-37-0207	-	175,792	-	-
Home Investment Partnerships Program	14.239	M-12-MC-37-0207	-	-	-	10,118
Home Investment Partnerships Program	14.239	M-13-MC-37-0207	-	29,659	-	157,873
Total Home Investment Partnerships Program				303,730	-	167,991

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
Federal Awards (continued):						
<u>U.S. Department of Housing and Urban Development (continued)</u>						
Office of Healthy Homes and Lead Hazard Control:						
Pass-through N.C. Department of Health and Human Services:						
Lead Based Paint Hazard	14.900	NCLHB0469-10	-	\$ 25,095	\$ -	\$ -
Total U.S. Department of Housing and Urban Development				<u>1,259,217</u>	<u>-</u>	<u>170,991</u>
<u>U.S. Department of Transportation</u>						
Federal Transit Administration:						
Pass-through N.C. Department of Transportation:						
Transportation Planning	20.505	10-08-116	36230.27.11.6	44,866	-	5,608
Transportation Planning	20.505	10-08-116	36230.27.11.6	-	5,608	-
Total Federal Transit Administration				<u>44,866</u>	<u>5,608</u>	<u>5,608</u>

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
Federal Awards (continued):						
<u>U.S. Department of Transportation (continued)</u>						
Federal Highway Administration:						
Pass-through N.C. Department of Transportation:						
Highway Planning and Construction Cluster:						
Transportation Planning	20.205	-	39225.1.16	\$ (6,499)	\$ -	\$ (1,625)
Transportation Planning	20.205	-	39225.1.16	231,423	-	57,856
Surface Transportation Program-Direct						
Apportionment	20.205	-	39225.1.24	78,502	-	19,625
Bradley Creek Pedestrian Crossing	20.205	SR-5000A,B	-	132,061	-	77,221
Municipal Agreement	20.205		41212.1 & .3.1	1,450,100	-	453,944
Wrightsville/Greenville Improvement	20.205	STPDA-0332(45)	-	7,565	-	1,891
Total Federal Highway Administration				<u>1,893,152</u>	<u>-</u>	<u>608,912</u>
National Highway Traffic Safety Administration:						
Pass-through Governor's Highway						
Safety Program:						
Checkpoint Equipment	20.600	2000002403 GHSP2014	-	18,611	-	-
Regional Crime Laboratory Expansion	20.607	2000002480 GHSP2014	3603.3.22	<u>6,206</u>	<u>-</u>	<u>-</u>
Total National Highway Traffic Safety Administration				<u>24,817</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Transportation				<u>1,962,835</u>	<u>5,608</u>	<u>614,520</u>

See Notes to Schedule of Expenditures
of Federal and State Awards

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
Federal Awards (continued):						
<u>U.S. Department of Justice</u>						
Bureau of Justice Affairs:						
Direct Programs:						
Bulletproof Vests FY 2011	16.607	2011-BU-BX-11057007	-	\$ 2,850	\$ -	\$ 2,850
Bulletproof Vests FY 2012	16.607	2012-BU-BX-12063074	-	5,209	-	5,209
Bulletproof Vests FY 2014	16.607	2013-BU-BX-13065944	-	9,575	-	9,575
FY10 Assistance Grant Program	16.738	2010-DJ-BX-1490	-	7,055	-	-
JAG - Equipment	16.738	2011-DJ-BX-3257	-	13,725	-	-
JAG 2013 with New Hanover County	16.738	2013-DJ-BX-1133	-	80,607	-	-
Pass-through N.C. Governor's Crime Commission:						
Operation Eagle Eyes	16.738	PROJ009628 2013	-	<u>18,540</u>	<u>-</u>	<u>6,180</u>
Total Bureau of Justice Affairs				<u>137,561</u>	<u>-</u>	<u>23,814</u>
Criminal Division:						
Equitable Sharing Program - Federal Forfeiture	16.922	-	-	<u>229,739</u>	<u>-</u>	<u>-</u>
Violence Against Women Office: Pass-through Governor's Crime Commission:						
Domestic Enforcement Wilmington	16.588	2012-WF-AX-0058	-	<u>71,834</u>	<u>-</u>	<u>26,866</u>
Total U.S. Department of Justice				<u>439,134</u>	<u>-</u>	<u>50,680</u>

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
Federal Awards (continued):						
<u>U.S. Department of Homeland Security</u>						
Direct Programs:						
Assistance to Firefighters Grant	97.044	EMW-2012-FO-04663	-	\$ 83,078	\$ -	\$ 20,770
Assistance to Firefighters Grant	97.044	EMW-2012-FP-00735	-	18,163	-	4,541
Pass-through N.C. Department of Public Safety:						
Public Assistance Grant	97.036	FEMA-4019-DR-NC	-	(1,149)	(383)	-
Public Assistance Grant	97.036	FEMA-4019-DR-NC	-	(2,936)	(979)	-
Hazmat RRT - NCDPS 2011	97.067	2011-SS-00119	-	25,000	-	-
Total U.S. Department of Homeland Security				<u>122,156</u>	<u>(1,362)</u>	<u>25,311</u>
<u>Environmental Protective Agency</u>						
Office of Solid Waste and Emergency Response:						
Direct Program:						
Brownfields Program	66.818	BF-95483011-0	-	<u>163,157</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Interior</u>						
Fish and Wildlife Service:						
Pass-through N.C. Department of Environment and Natural Resources:						
Boating Infrastructure	15.662	1505	-	<u>34,536</u>	<u>-</u>	<u>41,063</u>
Total Federal Awards				<u>3,981,035</u>	<u>4,246</u>	<u>902,565</u>

See Notes to Schedule of Expenditures
of Federal and State Awards

CITY OF WILMINGTON, NORTH CAROLINA

Schedule of Expenditures of Federal and State Awards (Continued)

Year Ended June 30, 2014

Grantor/Pass-through Grantor/Program Title	Federal CFDA or State DOT Number	Grant Award Number	WBS Number	Expenditures		
				Federal	State	Local
State Awards:						
<u>N.C. Department of Environment and Natural Resources</u>						
Cross City Trail	-	-	-	\$ -	\$ 8,501	\$ -
Community Waste Reduction & Recycling	-	-	-	-	30,000	6,000
Total N.C. Department of Environment and Natural Resources				-	38,501	6,000
<u>N.C. Department of Transportation</u>						
Powell Bill Funds	DOT - 4	-	32570	-	2,889,182	317
Municipal Agreement - Schedules C and D	-	-	36247.3.3	-	413,124	-
Municipal Agreement	-	-	36413.3.3	-	48,444	-
Municipal Agreement	-	-	436667	-	100,000	-
Municipal Agreement	-	-	43819	-	58,177	-
Total N.C. Department of Transportation				-	3,508,927	317
Total State Awards				-	3,547,428	6,317
Total Federal and State Awards				\$ 3,981,035	\$ 3,551,674	\$ 908,882

See Notes to Schedule of Expenditures
of Federal and State Awards

CITY OF WILMINGTON, NORTH CAROLINA

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2014

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards represents the activity of all federal and State awards to the City of Wilmington, North Carolina, excluding those of its discretely presented component unit. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Expenditures are reported on the schedule only at such time as there is an approved award and as activity occurs that obligates the City to make a payment, not when the award has been received. As a result, certain expenditures incurred in a prior year may be reported for the first time in the current year or as a reimbursement of expenditures reported in a prior year. All federal and state awards, received directly or indirectly (passthrough) from federal and state agencies, are included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards has been prepared on the modified accrual basis, which is described in Note 1 of the City's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, amounts presented in this schedule will frequently differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 3 – SUBRECIPIENTS

Federal and State awards have been passed through to subrecipients as follows for the year ended June 30, 2014:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
Community Development Block Grants	14.218	\$238,569
Home Investment Partnerships Program	14.239	\$188,923
Transportation Planning	20.505	\$ 45,988