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

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 8, 2016

NEW ISSUE—Book-Entry Only

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

$6,000,000
City of Raleigh, North Carolina
General Obligation Housing Bonds, Series 2016C (Taxable)

Dated: Date of Delivery | **Due: As shown on inside cover page**

Tax Treatment	In the opinion of Bond Counsel, which is based on existing law, interest on the Bonds will not be excludable from gross income for federal income tax purposes. Furthermore, in the opinion of Bond Counsel, based on existing law, interest on the Bonds will be exempt from all State of North Carolina income taxes. See **"TAX TREATMENT"** herein.
Redemption	The Bonds are subject to optional redemption and may be subject to mandatory sinking fund redemption as described herein under "THE BONDS."
Security	The Bonds constitute general obligations of the City, secured by a pledge of the faith and credit and taxing power of the City.
Interest Payment Dates	February 1 and August 1, commencing August 1, 2016.
Denominations	$5,000 or any integral multiple thereof.
Expected Closing/Settlement	March 2, 2016
Bond Counsel	Womble Carlyle Sandridge & Rice, LLP, Raleigh, North Carolina
Sale Date	February 16, 2016
Sale of Bonds	Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is February ____, 2016

MATURITY SCHEDULE

City of Raleigh, North Carolina

$6,000,000 General Obligation Housing Bonds, Series 2016C (Taxable)

Due February 1	Principal Amount	Interest Rate	Initial Public Offering Yields[1]	Due February 1	Principal Amount	Interest Rate	Initial Public Offering Yields[1]
2017	$300,000			2027	$300,000		
2018	300,000			2028	300,000		
2019	300,000			2029	300,000		
2020	300,000			2030	300,000		
2021	300,000			2031	300,000		
2022	300,000			2032	300,000		
2023	300,000			2033	300,000		
2024	300,000			2034	300,000		
2025	300,000			2035	300,000		
2026	300,000			2036	300,000		

[1]Information obtained from underwriters of the Bonds.

CITY OF RALEIGH, NORTH CAROLINA

CITY COUNCIL

Nancy McFarlane, Mayor

Kay C. Crowder, Mayor Pro-Tempore

Mary-Ann Baldwin

Corey D. Branch

David N. Cox

Bonner Gaylord

Russ Stephenson

Richard A. "Dickie" Thompson

CITY STAFF

Ruffin L. Hall .... City Manager

Perry E. James, III .... Chief Financial Officer

Robin E. Rose .... Assistant Financial Officer

Allison Bradsher .... Assistant Financial Officer

Chandler P. Francis .... Manager of Treasury Services

Todd D. Taylor .... Debt Manager

Thomas A. McCormick, Jr. .... City Attorney

BOND COUNSEL

Womble Carlyle Sandridge & Rice, LLP
Raleigh, North Carolina

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State of North Carolina
Department of State Treasurer

JANET COWELL
TREASURER

State and Local Government Finance Division
and the Local Government Commission

GREGORY C. GASKINS
DEPUTY TREASURER

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the purchase of $6,000,000 General Obligation Housing Bonds, Series 2016C (Taxable) (the "Bonds") of the City of Raleigh, North Carolina (the "City").

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

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

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

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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

THE BONDS

Description

The Bonds will be dated as of their date of delivery and will bear interest from their date at the interest rates set forth on the inside front cover page. Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing August 1, 2016. The Bonds will mature, subject to the redemption provisions set forth below, on the dates set forth on the inside cover page of this Official Statement.

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

The Bonds will be issuable as fully registered bonds in a book-entry only system under which The Depository Trust Company will act as securities depository nominee for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of $5,000 and in accordance with the practices and procedures of The Depository Trust Company. See Appendix G hereto for a description of the book-entry only system and The Depository Trust Company.

Bond Registrar

The Chief Financial Officer of the City has been appointed as Bond Registrar for the Bonds.

Redemption Provisions

Optional Redemption. The Bonds maturing on or prior to February 1, 2026 will not be subject to redemption prior to maturity. The Bonds maturing on February 1, 2027 and thereafter will be subject to redemption, at the option of the City, from any moneys that may be made available for such purpose, either in whole or in part on any date not earlier than February 1, 2026, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the dated fixed for redemption.

Mandatory Sinking Fund Redemption of the Bonds. The terms of the Notice of Sale for the sale of the Bonds provide that the successful bidder for the purchase of the Bonds may direct that consecutive annual principal amounts bearing interest at the same rate be combined into term bonds, and, if any Bonds are so designated, the term bond shall be subject to mandatory sinking fund redemption commencing on the February 1 of the first year which has been combined to form such term bond and continuing on February 1 in each year thereafter until February 1, of the stated maturity date of that term bond, on which date the remaining balance thereof shall be payable.

Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at the principal amount thereof. The City, at its option, may credit against any mandatory sinking fund redemption requirement term bonds of the maturity then subject to redemption which have been purchased and canceled by the City or which have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. In the event that any of the Bonds designated as term bonds are redeemed pursuant to the optional redemption provisions set forth above, the mandatory redemption requirements for the remaining term bonds of the same maturity shall be reduced in an aggregate amount equal to the amount of term bonds of the same maturity so redeemed in the years and amounts designated by the City to the Bond Registrar.

General Redemption Provisions. If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot in such manner as the City may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by $5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the Bonds within such maturity are to be redeemed. If less than all of the Bonds of any series stated to mature on different dates shall be called for redemption, the particular Bonds or portions of Bonds of any series to be redeemed shall be called in such manner as the City may determine.

Notice of redemption shall be given by certified or registered mail to DTC or its nominee, as the registered owner of the Bonds. Such notice shall be mailed not more than 60 nor less than 30 days prior to the date fixed for redemption. The City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee for so long as DTC or its nominee is the sole registered owner of the Bonds.

On the date fixed for redemption, notice having been given as hereinabove described, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption have been deposited by the City to be held in trust for the registered owners of the Bonds or portions thereof to be redeemed, interest on the Bonds or portions thereof called for redemption shall cease to accrue, such Bonds or portions thereof shall cease to be entitled to any benefits or security under the resolution providing for their issuance or to be deemed outstanding, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption, and, if a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity and issue, of any authorized denomination or denominations and bearing interest at the same rate for the unredeemed portion of the principal amount of such Bond.

Any notice of redemption, except a notice of mandatory sinking fund redemption, may state that the redemption to be effected is conditioned upon the receipt by the Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the redemption price and interest on such Bonds are not received by the Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Authorization and Purpose

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina.

The Bonds are being issued pursuant to a bond order duly adopted by the City Council of the City on August 2, 2011, which was approved by a majority of the qualified voters of the City who voted thereon at a referendum duly called and held on October 11, 2011, and a resolution duly adopted by the City Council of the City on January 19, 2016. The Bonds are being issued to pay for renovating and constructing housing projects for the City.

Security

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

THE CITY

See *Appendix A* hereto for certain information regarding the City. The Management's Discussion and Analysis of the financial activities of the City, lifted from the Comprehensive Annual Financial Report for the City for the fiscal year ended June 30, 2015, is included as *Appendix B*. The City's audited financial statements for the fiscal year ended June 30, 2015 are contained in *Appendix C* hereto along with the City's Combined Budget for the fiscal year ending June 30, 2016.

CONTINUING DISCLOSURE

In a resolution adopted by the City, the City has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the "MSRB"):

(a) by not later than seven months from the end of each fiscal year of the City beginning with the fiscal year ending June 30, 2016, audited financial statements of the City for the preceding fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not then available, unaudited financial statements of the City for such fiscal year to be replaced subsequently by audited financial statements of the City to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the City to beginning with the fiscal year ending June 30, 2016, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under heading "THE CITY - Debt Information" and - "Tax Information" in Appendix A to this Official Statement relating to the Bonds (excluding any information on overlapping units) and (ii) the combined budget of the City for the current fiscal year, to the extent such items are not included in the audited financial statements referred to in (a) above;

(c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

    (1) principal and interest payment delinquencies;

    (2) non-payment related defaults, if material;

    (3) unscheduled draws on debt service reserves reflecting financial difficulties;

    (4) unscheduled draws on credit enhancements reflecting financial difficulties;

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

    (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

    (7) modification to the rights of the beneficial owners of the Bonds, if material;

(8) bond calls, other than calls for mandatory sinking fund redemption, if material, and tender offers;

(9) defeasances;

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

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the City;

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

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

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

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

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

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

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

Pursuant to such resolution, the City reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the City, provided that:

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

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the City (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

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

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

The City is not aware of any instance in which it has failed to comply, in any material respect, with an undertaking made pursuant to Rule 15c2-12 in the last five years. The City entered into an undertaking to provide continuing disclosure information in connection with its Variable Rate Limited Obligation Bonds, Series 2009 (the "2009 Bonds") that included a requirement to provide certain financial information within 15 days of the end of each calendar quarter. This undertaking was voluntarily made by the City. Under Rule 15c2-12 as it existed when the 2009 Bonds were issued, no continuing disclosure undertaking was required for the 2009 Bonds. Also, under that version of Rule 15c2-12 and under the current version of Rule 15c2-12 there is no requirement that an issuer provide information on a quarterly basis. While the City has been providing the required information, not all filings have been made by the required deadline because the information was not always available within the 15-day period. The City provided the information as soon as it became available, however. The City does not consider this to be a material failure to comply with the undertaking. During calendar year 2014, the City amended its undertaking in connection with the 2009 Bonds to require that such quarterly filings are now made within 45 days of the end of each calendar quarter and has been incompliance with this amended requirement.

APPROVAL OF LEGAL PROCEEDINGS

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

RATINGS

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

INVESTMENT CONSIDERATION

Under North Carolina law, a local governmental unit such as the City may not file for bankruptcy protection without (1) the consent of the Commission and (2) satisfaction of the requirements of § 109(c) of the United States Bankruptcy Code. If the City were to initiate bankruptcy proceedings with the consent of the Commission and satisfy the requirements of 11 U.S.C. § 109(c), the bankruptcy proceedings could have material and adverse effects on owners of the Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy.

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

TAX TREATMENT

General. The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of the Bonds by original purchasers of the Bonds who are "U.S. Holders" (hereinafter defined). This summary (a) is based on certain relevant provisions of the Code under existing law and are subject to change at any time, possibly with retroactive effect; (b) assumes that the Bonds will be held as "capital assets;" and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to an owner of the Bonds in light of its particular circumstances, such as the Medicare tax under Section 1411 of the Code, or to owners of the Bonds subject to special rules, such as insurance companies, certain plans subject to Section 4975 of the Code, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons or entities holding the Bonds as a position in a "hedge" or "straddle," or owners whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or owners who acquire Bonds in the secondary market.

Owners of the Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Bonds, as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

The term "U.S. Holder" means a beneficial owner of a Bond that is (a) a citizen or resident of the United States, (b) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (c) an estate the income of which is subject to United States federal income taxation regardless of its source or (d) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

Opinion of Bond Counsel. In the opinion of Bond Counsel, based on existing law, interest on the Bonds will not be excludable from gross income for purposes of federal income taxation imposed by the Code. Bond Counsel is also of the opinion, based on existing law, that interest on the Bonds will be exempt from all State of North Carolina income taxes.

Original Issue Discount. In general, if original issue discount ("OID") is greater than a statutorily defined *de minimis* amount, a holder of a Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers);

"stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "de minimis amount" is an amount equal to 0.25 percent of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

Bond Premium. In general, if a Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance. Generally, upon the sale, exchange, redemption or other disposition (which would include a legal defeasance) of a Bond, an owner of such Bond generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such owner's adjusted tax basis in the Bond. Such gain or loss generally will be capital gain or loss, and will be long-term capital gain or loss if such Bond has been held for more than one year at the time of sale, exchange, redemption or other disposition. An owner's adjusted tax basis in a Bond generally will equal the cost of such Bond to the owner, increased by any original issue discount included in income and decreased by the amount of any payments other than "qualified stated interest payments" received and amortized bond premium taken with respect to such Bond.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Bonds to be deemed to be no longer outstanding under the resolution authorizing the Bonds (a "*defeasance*"). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting. In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of original issue discount, on a Bond and the proceeds of the sale of a Bond before maturity within the United States. Such payments will be subject to backup withholding, except in the case of certain "exempt payees" as defined in the Code, if the owner of a Bond (a) fails to furnish to the City such owner's social security number or other taxpayer identification number ("*TIN*"), (b) furnished the City an incorrect TIN, (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code or (d) under certain circumstances, fails to provide the City with a certified statement, signed under penalty of perjury, that the TIN provided to the City is correct and that such owner is not subject to backup withholding. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Service.

Future Law Changes. No assurance can be given that future legislation or changes to law, including amendments to the Code, or interpretations thereof if enacted into law, will not contain provisions or produce results which could, directly or indirectly, affect federal or state tax treatment of interest on the Bonds.

UNDERWRITING

The underwriters for the Bonds are ___________________.[1]

The underwriters for the Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total selling compensation of $___________________.[1] The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

[1]Information provided by underwriters of the Bonds.

MISCELLANEOUS

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

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

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the City Council of the City.

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By

Greg C. Gaskins
Secretary of the Commission

CITY OF RALEIGH, NORTH CAROLINA

By

Nancy McFarlane
Mayor

By

Ruffin L. Hall
City Manager

By

Perry E. James, III
Chief Financial Officer

APPENDIX A

THE CITY

The City, the county seat of Wake County (the "*County*") and the capital of the State, covers an area of more than 144 square miles and is situated in the heart of the State, called the Piedmont region. The City forms one point of the Research Triangle Park created in 1959 for industrial, governmental and scientific research, with Chapel Hill and Durham at the other two points. The City is located in a combined metropolitan statistical area consisting of the Raleigh-Cary Metropolitan Statistical Area, the Durham-Chapel Hill Metropolitan Statistical Area and the Dunn Micropolitan Statistical Area. The population for this combined metropolitan statistical area as of July 1, 2014, the last date for which data is available, was estimated to be 2,075,126.

DEMOGRAPHIC CHARACTERISTICS

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

1990	2000	2010
212,092	276,093	403,892

The Bureau of the Census released 2014 population information in June of 2015, which recorded the City's population estimate as of July of 2014 at 439,896, a 8.9% increase from the 2010 Census figure.

The statistical section of the City's current Consolidated Annual Financial Report (CAFR) estimates the City's population to be as follows:

2011	2012	2013	2014	2015
403,892	411,000	423,179	431,746	439,896

These numbers reflect a combination of data from the U.S. Census Bureau and the City's Planning Department.

Per capita income data for the County[1] and the State are presented in the following table:

YEAR	COUNTY[1]	STATE
2010	$46,715	$35,569
2011	47,469	36,622
2012	50,381	38,655
2013	48,396	37,774
2014	49,695	39,171

[1] Separate data for the City are not available.
Source: United States Department of Commerce, Bureau of Economic Analysis (latest data available).

COMMERCIAL, INDUSTRIAL, CULTURAL AND INSTITUTIONAL PROFILE

As the Capital of the State, the City derives its economic profile from a diverse combination of business and employment centers including State government, higher education, healthcare, technology and retail trade. The City is the home of the principal executive, judicial and regulatory offices of State government, as well as six public and private institutions of higher education, including North Carolina State University, the largest university in the State.

The City has received significant national acclaim in recent years both for its robust local economy and its attractive quality of life. Recent accolades include:

-Number One for jobs in the United States (May 2015 – Glassdoor; Forbes Magazine)
-3rd Best Region for science, technology, engineering and math (STEM) professionals (greater Raleigh metro area) (January 2015 - WalletHub.com)
-One of the 5 Best Retirement Cities (January 2015 - Money Magazine)
-5th Best Performing Cities (2014 edition – Milken Institute)
-7th of America's Smartest Cities among 51 largest cities (November 2014 – Forbes Magazine)
- 2nd Best American City to Find a Job (November 2014 – Forbes Magazine)
-3rd Best U.S. Cities for College Students-Mid-Size Metros (Raleigh-Cary) (October 2014 - American Institute for Economic Research)
-2014 Gold Service Award (Greater Raleigh CVB) (September 2014 - Meetings & Conventions)
-2nd Most Educated Cities (Raleigh MSA) (September 2014 – WalletHub)
-1st U.S. Cities Attracting The Most Families (Raleigh MSA) (September 2014 – Forbes)
-3rd Best Up-and-Coming Cities for Art and Culture (September 2014 - Women's Health)
-2nd Among America's 15 Best Cities for Young Professionals (August 2014 – Forbes)
-1st Best Places for Business and Careers 2014 (July 2014 – Forbes)
-3rd of the 10 Least Stressed Out Cities (June 2014 – CNN Money)
-Best Place to Raise a Family (April 2014 - Forbes Magazine)
-6th Most Affordable (and Growing) City in the U. S. (February 2014 - Cheapism.com)

The American Community Survey, an annual survey that replaces the long-form questionnaire of the census taken every ten years, estimated on the basis of a survey of over 800 geographical areas in 2013, the latest year for which City data is available, that the percentage of the City's adults with a high school diploma was 90.0% and the percentage of adults with bachelor's degrees was 49.5%. That same survey found that the City's median household income was $54,448, median family income was $69,139, and median monthly housing costs for homeowners with mortgages was $1,325.

The City has experienced significant growth in population, leading the nation in growth from 2000 at 46.3%, according to the 2010 Census, and becoming the 43rd largest city in the United States. Proximity One, a national research organization, has predicted that the City will continue to be among the nation's top ten "population gainers" in the coming decade, based on 2010 Census data, as well as historical birth, death, migration and economic data. This growth has been due, in part, to the Research Triangle Park (the "*RTP*"), a nationally recognized center for research and light manufacturing located adjacent to the City. RTP's primary objective is to attract research-related employers to the area through partnerships with area educational institutions, and houses approximately 170+ companies including Syngenta, Bayer CropScience, The Hamner Institute, Avaya, Cisco, Credit Suisse, Biogen Idec, Glaxo-SmithKline, IBM, BASF, Stiefel, NetApp, Burroughs Wellcome Fund, BD Technologies, Sigma Xi, North Carolina Biotechnology Center and RTI International. The research institutions of RTP employ an estimated 40,000 employees.

Google recently announced plans to install a new fiber-optic network called GoogleFiber in the Research Triangle area, including the City, the City of Durham and the Towns of Chapel Hill, Carrboro, Cary, Morrisville and Garner. GoogleFiber is a broadband and television service that promises transfer speeds of 1 gigabit per second. The timetable for the provision of the service has not yet been announced.

The City continues to broaden the range of cultural and entertainment experiences available to its citizens and visitors to the City. Duke Energy Center for the Performing Arts, located in the City's downtown, is the home of the North Carolina Symphony and provides three performing arts theatres. The State Museum of Art (the "*Art Museum*") is located in the western part of the City. In April 2010, the Art Museum opened a new 127,000 square foot West Building as part of an expansion initiative, added a sculpture garden and pools and upgraded the Art Museum's East Building to house temporary exhibitions, education and public programs, public events and administrative functions. The State Museum of Natural Sciences, the State Museum of History and the Contemporary Art Museum are all located in the downtown area of the City. Marbles Kids Museum and the adjacent IMAX Theater are located across a park square from the old City Market. The City Market consists of a blend of retail, office and food operations in a unique historical setting.

Walnut Creek Amphitheater, a 20,000 seat amphitheater owned by the City, offers outdoor concert facilities for a variety of national concert tours. The amphitheater's attendance and revenues continue to be strong. The City leases the facility to a private operator who manages the complex and handles arrangements for the various events. Under the lease agreement, the City receives 7% of gross revenues of the facility. The total rent is capped at agreed upon levels each year. Rent in excess of $1,000,000 per year is designated for capital improvements.

A City-owned 5,500 seat Downtown Raleigh Amphitheater and Festival Site opened in June 2010. The $2.5 million facility is located adjacent to the Raleigh Convention Center and hosts marquee concerts and community events in an open-air setting looking out across the City skyline. In addition to hosting local events at the facility, the City has contracted with concert promoter, LiveNation, to bring 20 to 25 events each year to the amphitheater. The facility offers a varied venue that targets a different market than Walnut Creek Amphitheater. In September of 2012, the City negotiated a naming rights agreement for the Facility with Red Hat, Inc., on its relocation of its headquarter to the City's downtown.

The City has hosted the International Bluegrass Music Association (IBMA) "World of Bluegrass" Week for each of the last three years and has a contract with IBMA to serve as host through 2019. The result of a partnership of the City, the IBMA, the Greater Raleigh Convention and Visitors Bureau, PineCone – The Piedmont Council of Traditional Music and a local organizing committee, the 2015 "World of Bluegrass" Week generated a $5.6 million economic impact from the over 98,000 visitors to the City for the event.

The PNC Arena, a multi-purpose sports and entertainment facility, is the home of the Carolina Hurricanes, a National Hockey League team, and the North Carolina State University basketball team. In addition, the facility provides a wide variety of entertainment events to the region. The facility is owned by the Centennial Authority of North Carolina under authority granted by the General Assembly. Part of the funding for operation as well as debt service on debt incurred to finance a portion of the cost of the facility are provided by a 6% occupancy tax and a 1% prepared food and beverage tax that the City receives under an interlocal agreement with the County. The balance of these costs are being provided by the State of North Carolina, North Carolina State University and the Carolina Hurricanes.

Raleigh's 500,000 square foot convention center, which was the major component of several downtown renewal efforts, is located at the south end of the main downtown thoroughfare. This facility with the latest technologies includes a 4,100 square foot mezzanine lobby overlooking the 150,000 square foot exhibition hall, twenty meeting rooms, a ballroom, and twelve loading docks. The convention center is connected by an underground walkway to a 17-story, 400-room Marriott that was built to support the operation of the convention center. The hotel includes 15,000 square feet of meeting space, restaurants and an attached parking facility.

The downtown area has experienced a number of other significant development projects in recent years, including a 29-story mixed-use headquarters building for PNC Bank, which includes office and retail space as well as 10 stories of residential condominiums. The City has experienced an increase in downtown housing, with approximately 6,000 residents living inside the Downtown Business District and another 120,000 people living within three miles of downtown. There are seven downtown housing projects planned that are estimated to bring more than 1,300 apartment units to the downtown.

Recent public investments in downtown include Green Square, a $115 million project by the Museum of Natural Sciences, the North Carolina Department of Environment and Natural Resources and the City, that was completed in the spring of 2012 and a 115,000 square foot office building for the North Carolina State Employee's Credit Union, located adjacent to the Green Square complex. Raleigh Union Station, a joint initiative of the City, GoTriangle, the State Department of Transportation/Rail Division and the Federal Railroad Administration, is a $100 million investment in rail infrastructure which includes a $57 million multimodal hub and adjacent improvements that will move Amtrak to the City's Warehouse District. Upon full-build-out, Union Station will serve as a transportation hub for local and regional commuter and passenger rail, buses, taxis, bicyclists and pedestrians. This project is underway with the completion of the first phase currently planned for 2017. Funding for the project will be comprised of federal grants and state and local matches.

Recent significant corporate investments in the downtown include Red Hat, Inc., a technology company in the free and open source software sector and a major Linux distributor, that began relocating its headquarters to the City's downtown in late 2012 and Citrix Systems, Inc., a leading virtual computing solutions provider, that expanded its Data Sharing Group to the City's downtown, investing more than $12 million into renovation and operations in the City's then-newly-developing Warehouse District. Kane Realty Corp., one of the Triangle's largest real estate developers and developer of the City's revitalized North Hills area described below, has announced plans to redevelop the Dillon Supply building in the Warehouse District into a 17-story commercial tower and a nine-story residential tower with accompanying parking, retail and restaurant space on the ground floor. Investment is estimated at $150 million and the first phases are expected to be available for occupancy by the end of 2017.

Outside the downtown area, the City's North Hills area has undergone significant redevelopment, with an investment of approximately $1 billion over the last 15 years. Kane Realty Corp. purchased the site of North Hills Mall, a late 1960s retail development, in 2001 with the intention of creating a new low-rise, pedestrian-friendly urban development that would be the center of the City's midtown. The new North Hills Mall, an open-air retail center, opened in 2004 and now includes over 850,000 square feet of retail development, including over 130 shops and over 36 restaurants. In addition, the North Hills area is home to over 1.5 million square feet of Class A office space, including the Captrust Tower that opened in 2010, the Midtown Plaza that is currently pre-leasing, the Bank of America Tower that is scheduled to be available for pre-lease in March of 2016 and Tower III at North Hills, which is scheduled to open in 2017. In addition, North Hills is home to approximately one million square feet of luxury apartment units, two upscale hotels, and an outdoor common area and park that serves as the location for concerts, theatrical productions and community events.

The percentage of government and governmental agency employees in the County exceeds other categories of employment. The State government employs approximately 24,000 employees, the Federal government employs approximately 5,000 employees, North Carolina State University employs approximately 7,800 employees, and the City, County and County school governments employ approximately 26,000 employees. Other institutional employment is also significant.

The following table lists by corporate name and approximate number of employees, the major employers in the County:

State of North Carolina	24,083
Wake County Public School System	18,554
IBM Corporation	10,000
WakeMed Health & Hospitals	8,422
North Carolina State University	7,876
Cisco Systems, Inc.	5,500
Rex Healthcare	5,300
SAS Institute, Inc.	5,232
GlaxoSmithKline	4,950
N.C. DHHS	3,800
Duke Energy	3,700
Wake County Government	3,692
City of Raleigh	3,673
Fidelity Investments	2,900
Wake Technical Community College	2,547
RTI International	2,200
Lenovo	2,100
Wells Fargo	2,100
Verizon Business	2,000

Source: Wake County Economic Development, as of February 1, 2016.

The City is home to three acute care hospital systems that provide approximately 1,245 acute care beds and employment to nearly 12,000 employees. WakeMed is a major non-profit hospital, tertiary care facility with an 884-bed capacity, which includes a 575-bed hospital in Raleigh, 156-bed hospital in Cary, and 133 rehab and skilled nursing beds. Rex Healthcare, which is part of UNC Health Care System, has a 665-bed capacity (433 acute, 6 inpatient hospice, and 226 skilled nursing). Construction is currently underway on a new, $200 million, 8-story heart tower at Rex Healthcare. Rex will transfer a portion of the acute beds to the tower and also consolidate cardiac services currently provided at seven locations across the institution's footprint. Finally, Duke Raleigh Hospital, which is part of Duke University Health System, is located in the City and has a 186-bed capacity.

Construction activity in the City for recent fiscal years is indicated in the following table showing the number and value of building permits:

Fiscal Year Ended June 30	Commercial		Residential		Total	
	Number	Value	Number	Value	Number	Value
2011	1,237	$458,231,264	3,442	$342,879,037	4,679	$ 801,110,301
2012	1,292	588,872,439	3,669	520,504,741	4,961	1,109,377,180
2013	1,224	319,056,901	4,516	759,135,389	5,740	1,078,192,290
2014	1,338	570,472,821	4,330	614,966,621	5,668	1,185,439,442
2015	1,486	771,267,240	4,792	790,590,495	6,278	1,561,857,735
2015 (6 mos)	742	$484,676,438	2,292	$383,327,277	3,034	$ 868,003,715
2016 (6 mos)	791	508,941,327	2,380	364,414,171	3,171	873,355,498

Source: City Building Inspections; City Planning Department.

Note: Effective fiscal year ended June 30, 2015, the number of permits does not include the replacement of expired permits. The number of permits in all prior fiscal years includes the replacement of expired permits.

Total taxable sales in the County for the fiscal years ended June 30, 2011 through 2015 and partial year taxable sales for the fiscal year ending June 30, 2016 with comparable 2015 data are shown in the following table:

FISCAL ENDED JUNE 30	TOTAL TAXABLE SALES	INCREASE OVER PREVIOUS PERIOD
2011	$10,208,890,575	
2012	10,850,823,393	6.3%
2013	11,411,806,624	5.2
2014	12,076,260,772	5.8
2015	13,296,228,987	10.1
2015 (5 mos)	$4,401,756,675	
2016 (5 mos)	4,739,201,273	7.7%

Source: North Carolina Department of Revenue, Sales and Use Tax Division.
Note: Amounts shown are total taxable sales reported on sales and use tax returns filed during the period of July 1 through June 30 for a given fiscal year. Data reflects sales primarily for the period June 1 through May 31, but may include sales for prior periods.

EMPLOYMENT

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the City to be as follows:

	2012	2013	2014	2015		2012	2013	2014	2015
January	7.0%	6.8%	4.7%	4.5%	July	7.3%	6.2%	5.1%	5.1%
February	7.1	6.4	4.8	4.3	August	7.1	5.8	4.9	4.9
March	6.9	5.9	4.7	4.3	September	6.3	5.2	4.2	4.3
April	6.6	5.7	4.2	4.0	October	6.3	5.2	4.1	4.5
May	6.9	6.1	4.8	4.8	November	6.3	4.8	4.0	4.3
June	7.4	6.4	4.8	5.0	December	6.4	4.5	3.7	NA

GOVERNMENT AND MAJOR SERVICES

Government Structure. The City has utilized a council-manager form of government since 1947. The Mayor and two Council members are elected at-large, and the remaining five Council members are elected from five districts within the City. The Mayor and Council members serve two-year terms and all have an equal vote. The City Council sets City policies, enacts ordinances and appoints the City Manager. The City Manager administers the daily operations and programs of the municipal government through the department heads, other staff members and employees.

Education. The Wake County Public School System serves all residents of the County. In the fall of the 2015-16 school year, approximately 157,000 students were enrolled in 171 schools staffed by approximately 10,200 permanent full-time teachers. The Wake County Public School System is the largest school system in the State and the 16th largest in the United States.

The following table reflects ADM* in the County schools and the number of schools and classrooms for a five-year period beginning with the school year 2011-12:

School Year	Elementary Schools	Classrooms[1]	ADM*	Middle Schools	Classrooms[1]	ADM*	High Schools	Classrooms[1]	ADM*	Total ADM*
2011-12	104	4,525	70,564	34	2,071	33,750	27	2,157	42,373	146,687
2012-13	106	4,534	71,190	36	2,207	34,631	27	2,194	43,687	149,508
2013-14	106	4,542	72,883	36	2,185	35,713	28	2,307	44,704	153,300
2014-15	106	4,613	72,742	36	2,196	36,319	29	2,387	46,123	155,184
2015-16	106	4,969	73,195	36	3,016	36,435	29	2,448	47,550	157,180

* ADM — Average Daily Membership (using 20th day enrollment for school year 2011-2012, and month 2 average daily membership for school years 2013-2016), is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The memberships are used as a basis for teacher allotments and for distribution of State funds.

[1] Classroom numbers include temporary classrooms.

Source: State Board of Education Statistical Division.

As shown below, there are also six colleges and universities, one law school and one technical institute serving approximately 55,000 students in the Raleigh area. The following table lists enrollment at public and private institutions of higher education within the County:

Institution	Fall 2015 Enrollment
North Carolina State University	24,473
Wake Technical Community College	22,400
Southeastern Baptist Theological Seminary	2,760
Shaw University	1,646
Meredith College	1,949
Saint Augustine's College	810
William Peace University	1,038
Campbell Law School	432
Total Students	55,508

Transportation. Major expansion, maintenance and betterment of the local street system are the sole responsibility of the City. Major expansions and betterment are financed with bond proceeds and current revenues. On July 1, 2015, the City maintained approximately 1,085.72 linear miles of streets.

Major maintenance, expansion and betterment of interstate, primary and secondary highways of the State highway system within the City limits are mainly the State's responsibility although the City does participate on a limited basis. Since 1998, the City voters have approved $270 million of general obligation bonds for street-related improvements. Many of the thoroughfares improved or to be improved with the general obligation bonds are on the State's system, showing the City's commitment to provide a quality transportation system for its citizens as well as its desire to cooperate with the State Department of Transportation in meeting the City's transportation challenges. The City is also responsible for right-of-way acquisition for such expansion or betterment, as well as related sidewalk improvement and street lighting. On July 1, 2015, approximately 264.69 miles of North Carolina Department of Transportation maintained streets were located within the City limits.

The City owns and operates a bus transit system and provides a direct pick-up service for citizens who are disabled. The system annually operates at a deficit which is subsidized by City appropriations from the General Fund. Available grant funding from the Federal Transit Administration is based on formula allocations made to the City for a combination of maintenance and capital purposes. The City provided approximately $17.7 million to subsidize the costs of the City transit system in the fiscal year ended June 30, 2014, approximately $18.6 million in the fiscal year ended June 30, 2015 and has budgeted $19.2 million in the fiscal year ending June 30, 2016. The Triangle Transit Authority operates regional buses, shuttles, and vanpools. The Triangle Transit Authority is considering various plans that would link the cities of Raleigh, Cary, Durham and RTP. The City has no financial responsibility for the Triangle Transit Authority. The Wake County Transit Strategy, a partnership between the City, the County, the Triangle Transit Authority, the Town of Cary, the Research Triangle Foundation, NC State University and the Airport (as defined below), recently completed a planning process related to regional transit efforts and distributed a recommended transit network plan in early December 2015.

Raleigh-Durham International Airport (the "*Airport*") is a major regional and hub airport served by nine major airlines, one foreign flag carrier, multiple commuter airlines, general aviation, corporate, military and cargo aircraft operations. During the Airport's 2015 fiscal year, approximately 9.5 million passengers were processed at the Airport. The Airport is governed by the eight-member Raleigh-Durham Airport Authority with two members each appointed by the City, the County, the City of Durham and Durham County. The Airport has two parallel runways of 10,000 feet and 7,500 feet, and a cross-wind general aviation runway of 3,500 feet. An air cargo complex houses five cargo carriers. Two passenger terminals provide a total of 45 aircraft gates. In early 2014, the Airport renovated Terminal 1 to provide a transformed terminal with more natural lighting, renovated ticketing and baggage claim areas and a larger security checkpoint. The City is not financially responsible for any airport capital improvements.

One private bus company provides connecting bus service to the City on a nationwide basis. The City is provided with passenger train service by Amtrak Carolinian, a regional state supported train service, and freight service by two other railroad lines. In addition, Amtrak recently announced a non-stop, high speed passenger train service that will connect the City and the City of Charlotte. The City is also served by approximately 50 major freight carriers. One interstate highway (I-40), four U. S. highways (U. S. 1, 64, 70 and 401) and two North Carolina highways (N. C. 50 and 54) lead to and from the City. Interstate access to I-95 is approximately 30 miles from the City.

Interstate 540 (I-540) is an outer beltway around the City. Completed in three phases, the last of which was completed in December of 2012, I-540 connects I-40, North Carolina highways 55 and 54 and U.S. Highway 64. The final segment of the project is a 19-mile toll road, the first in the State. This project was constructed by the North Carolina Turnpike Authority and financed with a combination of toll road revenue bonds, additional debt financing provided by the United States Department of Transportation and contributions toward the project made by the State. I-540 runs from the RTP to the southern area of the County.

Public Utility Enterprises. The City owns and operates a water distribution system and a sanitary sewer system which provide services to over 170,000 water accounts, including irrigation accounts and over 167,000 sewer accounts within and without the City limits. The City also provides solid waste disposal services within the City.

The City has in recent years entered into merger agreements with the water and sanitary sewer systems of several of the towns located in the County: the Town of Garner, the Town of Rolesville, the Town of Wake Forest, the Town of Knightdale, the Town of Wendell and the Town of Zebulon (collectively, the *"Merger Towns"*). Under the terms of the respective merger agreements, all assets, liabilities, equity and operations of each town's water and sanitary sewer system, with the exception of certain long-term debt of the Merger Towns, were transferred to the City. The City is responsible for all operating activities and capital requirements of the merged systems. The City is also responsible, using its utility funds and funds received in connection with the mergers, for paying all amounts necessary to the respective towns to make all debt service payments. Under the terms of the merger agreements, current customer rates of retail customers within the merged systems are held constant for a designated period to fund all capital improvements required by the agreements to bring the systems into compliance with the City and to generate revenues sufficient to reimburse the City for the incremental costs incurred to implement the mergers.

The City maintains a dynamic financial model for each of the Merger Towns that tracks the revenues generated from user rates and charges, the costs the City incurred to implement the merger and the expected payback period for the reimbursement of these merger costs. As of the fiscal year ended June 30, 2008, the Town of Garner completed the payback of the merger costs and Garner's customer base was fully merged with the City effective July 1, 2008 and are now charged for utility service based on the same rates and rate structure as other City customers. Rolesville completed the payback in fiscal year 2014 and Wake Forest completed its payback in fiscal year 2015. Rolesville customers beginning July 1, 2014 and Wake Forest customers beginning December 1, 2014 are now charged for utility service based on the same rates and rate structure as other City customers. The remaining Merger Towns continue to be charged different rates and under different rate structures until their respective merger costs have been repaid, at which time, these customers will pay the same applicable rates as the City's existing retail customers.

Water System – The Public Utilities Department currently operates two water treatment plants, the E. M. Johnson Water Plant (the "*Johnson Water Plant*"), which began service in November, 1967 and the Dempsey E. Benton (the "*Benton Water Plant* ") which began service on May 1, 2010. The main source of supply for drinking water is Falls Lake, a surface water supply, multipurpose reservoir owned and operated by the U.S. Army Corps of Engineers (the "*Corps*"), which provides water to the Johnson Water Plant. The City retains the sole contract right with the Corps for this source as a water supply and is entitled to an annual average withdrawal capacity of 100 MGD from Falls Lake. The City owns two other surface water supplies: Lakes Benson and Wheeler. Lakes Benson and Wheeler have a combined withdrawal capacity of 20 MGD and provide water supply to the Benton Water Plant, near Lake Benson. The combined safe yield of all current water supplies is approximately 77.3 MGD which is expected to meet the water supply need through 2030. The City has identified several potential future water supply sources, including the long-planned Little River Reservoir. All options under consideration could potentially meet the City's regional water supply needs until at least the year 2040. Of the 5 options under consideration, the most promising and least environmentally-damaging alternative appears to be a reallocation of storage volume in Falls Lake. The Corps has begun a multi-year process to consider such a reallocation, which would transfer an additional 4.1 billion gallons of storage to the City. If successful, this option would be significantly less expensive than current cost estimates for the construction of Little River Reservoir.

The Water Plants meet a strict set of quality standards established by the North Carolina Public Water Supply Section and the U.S. Environmental Protection Agency. The Johnson Water Plant is permitted for a peak treatment capacity of 86 MGD, and the Benton Water Plant is permitted for a peak capacity of 16 MGD. Annual average water production is approximately 50 million gallons per day.

Sanitary Sewer System – The Public Utilities Department currently operates three wastewater treatment plants, the Neuse River Resource Recovery Facility (the "*NRRRF*"), originally placed in use by the City in 1976; and the Smith Creek Wastewater Treatment (the "*SCWWTP*") and the Little Creek Wastewater Treatment Plant (the "*LCWWTP*"), both acquired by the City in connection with the mergers (discussed below) with the Towns of Wake Forest and Zebulon. The NRRRF has a 60 MGD average day capacity and is currently being expanded to 75 MGD. The expansion is scheduled for completion by 2018 and is expected to provide sufficient capacity to 2030. The SCWWTP has a 3 MGD average day capacity and the LCWWTP currently has a 2.2 MGD average day capacity. In fiscal year 2015, the average daily use of the sanitary sewer system was 48.19 MGD with a recorded peak day usage of 70.45 MGD (the peak was a result of a wet weather event). All three wastewater treatment facilities are designed and operated for compliance with nutrient removal requirements, exceeding NPDES permit standards. The City attained compliance with the more stringent NPDES effluent limits by 1998, five years prior to the statutory compliance date of 2003.

Solid Waste Management – The City operates a comprehensive solid waste collection, recycling and disposal system, which fully complies with all environmental regulations. Integrated into this program are: Yard Waste Center, Residential Collection of Solid Waste and Recycling, and a ten-year Solid Waste Management Plan, a state mandated plan that requires local governments to develop and implement strategies for the reduction and efficient collection and reduction of solid waste.

The City-owned landfill closed on December 31, 1997. Funding for the post-closure care of this facility is budgeted annually based on a pre-determined cost per year for 30 years. The City elected not to build another landfill and entered into a ten-year contract with the County to dispose of its solid waste at the County facilities, beginning January 1998, with an additional ten-year renewal option. In 2006, the City joined several other municipalities in the County in a 25-year inter-local agreement with the County for continued municipal solid waste services. The County is the sole provider of municipal solid waste disposal services in the County, as the County owns and operates the only municipal solid waste landfills in the County. The South Wake Landfill is the most recent municipal solid waste landfill to be placed into service by the County which began accepting municipal solid waste in February 2008, and it is projected to provide municipal solid waste disposal services for the citizens of the County for 25 years. The City owns a 3,000 ton per day transfer station operated by the County which transfers solid waste to the County landfill.

The City has a weekly curbside waste and recycling collection program citywide. The City has an extensive recycling program reaching single-family and multi-family residents as well as service to the Central Business District downtown. In September 2013, the City completed its transition to bi-weekly automated recycling collection using 95 gallon roll carts. The transition to the bi-weekly collection is more efficient, safer for recycling crews, and uses fewer trucks which results in greenhouse gas mitigation and energy savings. The bi-weekly automated recycling collection program saved over $330,000 the first year, and is expected to save $2 million annually.

Parks and Recreation. The City's Parks, Recreational and Cultural Resources Department is a diverse network of facilities and programs that include approximately 9,845 acres of parks, greenways, lakes and open space provided at 89 major park sites. Organized leisure programs ranging from athletics to fine arts are regularly offered for City citizens of all ages at 40 staffed facilities, and seven non-staffed facilities. The Department also offers numerous programs and special events for senior citizens and the mentally and physically impaired. Special facilities within the Department include 112 tennis courts at 25 different locations, eight swimming pools, a bicycle motor cross track, three nature parks, and more than 59 ball fields. The City has acquired the 308-acre Dorothea Dix state hospital site, formerly a campus for the care of people with mental illness, and is currently developing it into a "destination park".

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, City had the statutory capacity to incur additional net debt in the approximate amount of $3,083,363,000 as of June 30, 2015. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix F.

Outstanding General Obligation Debt.

GENERAL OBLIGATION BONDS	PRINCIPAL OUTSTANDING AS OF JUNE 30, 2012	JUNE 30, 2013	JUNE 30, 2014	JUNE 30, 2015
Water, Sewer and Parking Bonds	$ 3,678,252	$ 2,739,202	$ 3,351,111	$ 1,771,251
Governmental Bonds	347,046,748	325,035,798	316,848,890	330,438,749
Total Bonds Outstanding	$350,725,000	$327,775,000	$320,200,000	$332,210,000

General Obligation Debt Ratios.

AT JUNE 30	TOTAL GO DEBT	ASSESSED VALUATION	TOTAL GO DEBT TO ASSESSED VALUATION	POPULATION[1]	TOTAL GO DEBT PER CAPITA	ASSESSED VALUATION PER CAPITA
2011	$222,485,000	$50,063,614,000	.44%	406,781	$546.94	$123,073
2012	350,725,000	50,540,944,000	.69	412,891	849.44	122,407
2013	327,775,000	51,194,129,000	.64	418,568	783.09	122,308
2014	320,200,000	52,697,734,000	.61	425,920	751.78	123,727
2015	332,210,000	52,725,829,000	.63	425,920	779.98	123,793

[1] Estimates of the City's Planning Department for all years. For purposes of 2015, the 2014 population figure is being used.

Debt Service Requirements and Maturity Schedule for General Obligation Bonds as of June 30, 2015.

FISCAL YEAR	PRINCIPAL	INTEREST
2015-16	$ 23,805,000	$ 37,606,818
2016-17	22,575,000	35,435,669
2017-18	22,505,000	34,308,400
2018-19	22,820,000	33,566,913
2019-20	22,820,000	32,496,613
2020-21	21,590,000	30,204,213
2021-22	21,980,000	29,655,350
2022-23	20,640,000	27,466,913
2023-24	18,955,000	25,052,063
2024-25	18,455,000	23,783,988
2025-26	18,455,000	22,985,888
2026-27	18,455,000	22,086,787
2027-28	18,105,000	20,970,300
2028-29	18,000,000	20,216,963
2029-30	15,550,000	17,079,750
2030-31	15,050,000	16,098,750
2031-32	7,150,000	7,560,563
2032-33	2,650,000	2,832,750
2033-34	2,650,000	2,741,750
Total*	$332,210,000	$442,150,441

***General Obligation Bonds Authorized and Unissued*.**

PURPOSE	DATE APPROVED	BONDS AUTHORIZED AND UNISSUED	BONDS NOW OFFERED	BALANCE
Transportation	10/11/2011	$ 20,000,000		$ 20,000,000
Housing	10/11/2011	6,000,000	$ 6,000,000	--
Transportation	10/08/2013	75,000,000		75,000,000
Parks and Recreational	11/04/2014	71,775,000		71,775,000
Refunding	01/19/2016	160,000,000	118,075,000*	41,925,000*
		$332,775,000	$124,075,000*	$208,700,000*

*Preliminary, subject to change and represents General Obligation Refunding Bonds, Series 2016A and General Obligation Refunding Bonds, Series 2016B (Taxable) to be offered pursuant to a separate Preliminary Official Statement and scheduled to be issued on or about March 2, 2016. Such bonds are being issued to refund certain prior general obligation bonds issued by the City.

***General Obligation Debt Information for Overlapping Unit as of June 30, 2015*.**

Unit	2014 Population[1]	Valuation	$100	Utility	Other	Utility	Other	Capita
Wake County	985,310	$127,687,688,920	$.578	$ --	$511,210,000	$ --	$1,957,322,353	$1,980.41

[1] Estimate of Office State Budget and Management.

Other Long-Term Obligations. The following schedule sets forth the amount of principal (whether at maturity or pursuant to mandatory sinking fund prepayment) and interest required to be paid by the City with respect to other installment financing agreements as of June 30, 2015.

Payment of all the City's installment financing contract obligations set forth in the following table is payable from funds appropriated therefore by the City Council and payments under the various contracts is secured by mortgages and security interests in certain of the assets financed under the respective contracts. While not pledged to the payment therefore, certain of the payment obligations described under "Parking Deck" are funded from revenues from the operation of the parking decks and other parking facilities, payment obligations described under "Utility System" are funded from revenues of the City's water and sewer utility system and payment obligations described under "Storm Water Services" are funded from storm water fees collected by the City. In addition, Wake County collects a room occupancy and prepared food tax, the proceeds of which provide funds to the City that are available for payment obligations described under "Convention Center".

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INSTALLMENT PAYMENT REQUIREMENTS OF INSTALLMENT PURCHASE CONTRACT FINANCINGS AS OF JUNE 30, 2015

FISCAL YEAR ENDING JUNE 30	GENERAL GOVERNMENT[1]	CONVENTION CENTER[1]	PARKING DECKS[1]	UTILITY SYSTEMS	SOLID WASTE SERVICES	STORM WATER	EQUIPMENT	TOTAL
2015-16	$ 27,368,852	$ 23,063,919	$ 6,039,074	$ 2,351,351	$ 2,037,666	$ 101,738	$ 16,225,951	$ 77,188,551
2016-17	20,503,378	16,865,032	6,200,337	2,065,970	2,006,680	101,738	13,710,045	61,453,180
2017-18	19,976,745	16,884,488	6,191,509	2,034,027	1,966,029	101,738	13,061,595	60,216,131
2018-19	16,595,238	16,902,812	6,407,372	3,687,897	1,924,054	101,738	6,595,385	52,214,496
2019-20	16,102,488	16,945,229	6,548,931	3,490,887	1,882,530	101,738	6,595,502	51,667,305
2020-21	15,048,469	16,970,230	5,982,989	3,278,048	1,845,008	101,738		43,226,482
2021-22	14,554,453	16,996,836	6,004,402	3,234,499	1,802,331	101,738		42,694,259
2022-23	14,066,991	17,031,694	6,139,534	3,190,951	1,760,462	101,738		42,291,370
2023-24	13,586,602	17,050,842	6,140,296	3,147,402	1,716,351	101,738		41,743,231
2024-25	12,674,134	17,102,690	6,163,825	3,103,853	1,669,414	101,738		40,815,654
2025-26	11,690,537	17,139,632	5,355,425	2,910,305	1,624,858	101,738		38,822,495
2026-27	11,375,895	17,172,016	5,352,050	2,827,857	1,505,118	101,738		38,334,674
2027-28	11,450,257	17,207,458	5,334,925	2,624,944	86,394	101,738		36,805,716
2028-29	11,109,781	17,258,668	5,335,875	2,272,542	84,201	101,738		36,162,805
2029-30	10,790,215	17,292,410	5,329,400	1,163,904	82,130	101,738		34,759,797
2030-31	10,459,908	19,742,954	5,313,825	1,096,210	79,913	101,738		36,794,548
2031-32	10,107,718	19,877,591	5,309,700	1,056,651	77,795	101,738		36,531,193
2032-33	9,762,823	20,025,054	4,271,250	1,017,092	75,652	101,738		35,253,609
2033-34	9,404,759	20,168,335	3,629,800	425,549	73,518	101,738		33,803,699
2034-35	7,726,817		3,365,700	110,554				11,203,071
2035-36	5,551,481			82,915				5,634,396
2036-37	5,349,656			55,277				5,404,933
2037-38	5,141,381			27,638				5,169,019
2038-39	4,931,531							4,931,531
2039-340	2,713,303							2,713,303
TOTAL	$298,043,412	$341,697,890	$110,416,219	$45,256,323	$22,300,104	$1,933,022	$56,188,478	$875,835,448

1 Includes certain variable rate installment financing obligations, the interest on which is calculated at rates equal to the average interest rate for each obligation over the preceding 12-month period plus an additional 2% per annum; provided, however, that, for those subject to an interest rate swap transaction as described in the subsection **"DEBT INFORMATION - *Derivative Agreements*"**, interest has been calculated at the fixed rate provided for in the swap.

Revenue Bonds. North Carolina law authorizes the City to issue revenue bonds to finance improvements to certain revenue producing enterprises. Such bonds are payable from the revenues of the enterprise improved with the proceeds of the bonds.

Since January 1997, the City has issued $758,030,000 of revenue bonds to finance improvements to the City's water system and sanitary sewer system, of which $646,425,000 were outstanding as of June 30, 2015. In addition, the City issued $49,860,000 of revenue refunding bonds in December of 2015. Such bonds are payable from the revenues of such systems. The trust agreement under which such bonds were issued authorizes the City, subject to the terms of the trust agreement, to issue bonds for additional improvements to those systems and to add additional revenue producing enterprises to the systems that may be financed with the proceeds of such bonds.

Derivative Agreements. The City has previously entered into interest rate swap agreements related to certain of its debt and contract obligations. See Note 3 "**Detailed notes on all funds – F. Long-term obligations – 7. Interest rate swap**" in the Notes to the Financial Statements in the City's Audited Financial Statements in Appendix C on the City's website at the following address: http://www.raleighnc.gov/content/extra/Books/Finance/FY2015CAFR/.

Debt Outlook. The City plans to execute and deliver approximately $44 million* limited obligation bonds to finance improvements to City fire stations and the City's performing arts center and to refinance certain installment financing obligations of the City on February 24, 2016. The City expects to issue all or part of its remaining $20 million general obligation transportation bonds from the October 2011 bond referendum, all or part of its existing $75 million general obligation transportation remaining from the October 2013 bond referendum, and all or part of the $71.775 million parks and recreational facilities bonds remaining from the November 2014 referendum over the next two to five years. The City currently plans to issue debt for its Utilities System in early fiscal year 2017 to fund capital projects totaling approximately $110 million.

The City regularly examines the condition of its general infrastructure, continues to be interested in strengthening its downtown community and considers on an ongoing basis other public service needs including cultural, art, athletic and entertainment facilities. To the extent necessary, the City will seek debt authorization in keeping with these objectives.

TAX INFORMATION

General Information.

	FISCAL YEAR ENDED JUNE 30			
	2013	**2014**	**2015**	**2016[4]**
Assessed Valuation:				
Assessment Ratio[1]	100%	100%	100%	100%
Real Property	$44,786,140,000	$45,123,087,000	$45,837,276,000	$46,565,000,000
Personal Property	5,752,586,000	6,855,399,000	6,170,996,000	6,278,827,000
Public Service Companies[2]	655,403,000	719,248,000	717,557,000	720,000,000
Total Assessed Valuation	$51,194,129,000	$52,697,734,000	$52,725,829,000	$53,563,827,000
Assessed Valuation Per Capita[3]	$ 122,308	$ 123,727	$ 123,793	$ 125,760
Rate per $100	.3826	.3826	.4038	.4210
Levy	$ 197,617,000	$ 203,033,000	$ 212,617,000	$ 222,994,000

*Preliminary, subject to change.

[1] Percentage of appraised value has been established by statute.
[2] Valuation of railroad, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
[3] Calculated using estimates of the City's planning for population figures. For 2015 and 2016, calculation uses 2014 population figure.
[4] Estimated.

Note: The County is responsible for determining the assessed valuation of real property in the City for ad valorem taxation purposes. Every eighth year State law requires a revaluation of such property to approximate market value and to realign the respective tax burdens among taxpayers. The most recent octennial revaluation of real property was effective January 1, 2016.

Tax Collections.

YEAR ENDED/ENDING JUNE 30	PRIOR YEARS' LEVIES COLLECTED	CURRENT YEAR'S LEVY COLLECTED	PERCENTAGE OF CURRENT YEAR'S LEVY COLLECTED
2011	$2,444,000	$186,280,000	98.68%
2012	2,430,000	188,329,000	98.82
2013	1,816,289	195,117,000	98.73
2014	2,244,000	201,842,000	99.41
2015	1,136,000	211,668,000	99.55

Ten Largest Taxpayers For Fiscal Year 2014-15.

COMPANY	PRODUCT	ASSESSED VALUATION (THOUSANDS)	% OF TOTAL TAXABLE ASSESSED VALUE
Duke Energy Progress, Inc.	Utility	$346,360	0.66%
CVM Holdings LLC	Real Estate	334,466	0.63
Highwoods Realty	Real Estate	283,587	0.54
Triangle Town Center LLC	Shopping Center	173,177	0.33
First Citizens Bank	Banking	168,791	0.32
State Employees Credit Union	Banking	138,641	0.26
NHM Owner 1 LLC	Real Estate	132,802	0.25
Highwoods DLF Forum LLC	Real Estate	116,825	0.22
ARI RCC 32 LLC	Real Estate	110,377	0.21
Bellsouth Telephone	Utility	105,598	0.20

2014-15 FINANCIAL RESULTS AND 2015-16 BUDGET OUTLOOK

As reported in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015, general governmental financial results reflected a strong financial position with positive variances for both revenues and expenditures. Sales tax revenues were 9.0% higher than previous year amounts and property tax revenues showed a 5.1% increase. Fund Balance reported for the General Fund increased by $22.5 million and the City exceeded its goal for maintaining an unassigned fund balance of 14% of the succeeding fiscal year budget.

The adopted General Fund budget for the fiscal year ending June 30, 2016 is $434.9 million, representing a 4.4% increase from the fiscal year ended June 30, 2015 budget. The property tax rate increased from $.4038 to $.4210 and the growth rate for property tax revenue is budgeted at a 1.5% increase. Sales tax revenues are budgeted based on a projected increase of 4% over the prior year budget, reflecting normal growth, a broadening of the sales tax base approved by the North Carolina legislature and internet sales tax collection, specifically from Amazon. The fiscal year ending June 30, 2016 expenditure budget increased 4.4% over the prior year's budget and includes increased costs associated with an average 2.9% employee merit increase, responding to an increase in community growth and capital investment. Overall, the budget represents projected financial results that are intended to ensure long-term financial sustainability of the City's general governmental operations consistent with financial and budget policies for the City.

During the 2015 North Carolina legislative session, various alternatives were considered to the traditional process of distributing sales tax revenue to local governments. The final legislation enacted maintained the distribution formulas for the existing 2 cents of local sales tax. An expanded sales tax base was approved for distribution to certain, generally, rural counties starting in the fiscal year ending June 30, 2017.

The City's 10 year capital improvement budget reflects an ongoing commitment of the City to maintain and improve existing infrastructure as well as fund construction for new facilities and economic development projects throughout the City. General governmental projects include public safety facilities, general building maintenance, parks and recreation facilities and transportation-related improvements. Within the adopted FY2016-FY2020 CIP, the 5 year Phase I capital budget totals $1.046 billion, of which $691.4 million is related to the water and sewer enterprise.

Debt funding associated with the capital improvement plan is managed through a general debt model that incorporates all existing and authorized debt and is utilized to project debt service on the key projects in the full 10-year capital program. The City maintains at least 50% of the annual general debt service expenditures as dedicated fund balance, an amount that is in addition to the 14% unassigned fund balance amount.

OTHER POST-EMPLOYMENT BENEFITS

The City provides certain other post-employment benefits (OPEB) to all full-time employees as part of the total compensation offered to attract and retain the services of qualified employees. These benefits include medical benefits as well as limited life insurance coverage. For all employees hired before July 1, 2008, City policy allows employees retiring with 15 years of continuous service with the City to participate in the City's medical plan until age 65. For employees hired after July 1, 2008, a staggered eligibility applies, starting with 50% of the cost being covered by the City after 15 years of creditable service and increasing 5% each year up to full coverage after 25 years. At age 65, a fixed contribution is available to retirees who elect to purchase a supplemental Medicare policy.

The City funds its OPEB benefits on an actuarial basis as a single employer defined benefit pension plan. The City's required actuarial contribution (ARC) for all funds was $13,952,127 for fiscal year ended June 30, 2015 and is budgeted at $13,660,387 for the fiscal year ending June 30, 2016. These amounts are based on actuarial reports prepared by Cavanaugh Macdonald Consulting, LLC. The accounting and reporting of the plan's related expenses and liabilities is done in accordance with requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The unfunded actuarial accrued liability for the plan is being amortized over 30 years, with 26 years remaining in the amortization period. The City had a net OPEB obligation recorded at the end of fiscal year ended June 30, 2015 of $2,922,573, which the City anticipates funding through the adjustment of future annual contributions. The City has established an irrevocable trust for managing its OPEB assets consistent with investment authority provided by legislation enacted by the North Carolina General Assembly. Such authority allows the City to invest its OPEB funds in securities that mirror the State of North Carolina's eligible investments used for statewide pension funds.

PENSION PLANS AND RETIREMENT BENEFITS

For information concerning the City's participation in various pension plans and its other retirement benefits, see the Notes to the City's Audited Financial Statements in Appendix C.

Financial statements and required supplementary information for the North Carolina Local Governmental Employees' Retirement System are included in the Comprehensive Annual Financial Report ("*CAFR*") for the State. Please refer to the State's CAFR for additional information.

LITIGATION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Raleigh (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

In 2014-15, the City maintained its strong financial position for both its general governmental and business-type funds. Key indicators of that were overall positive budget variances, increases in fund balance amounts, growth of key general tax and business-type revenues, and continued funding of long-term pensions, risk management claims and OPEB liabilities on an actuarial basis. Consistent with those indicators, the City's general obligation ratings remained AAA/Aaa.

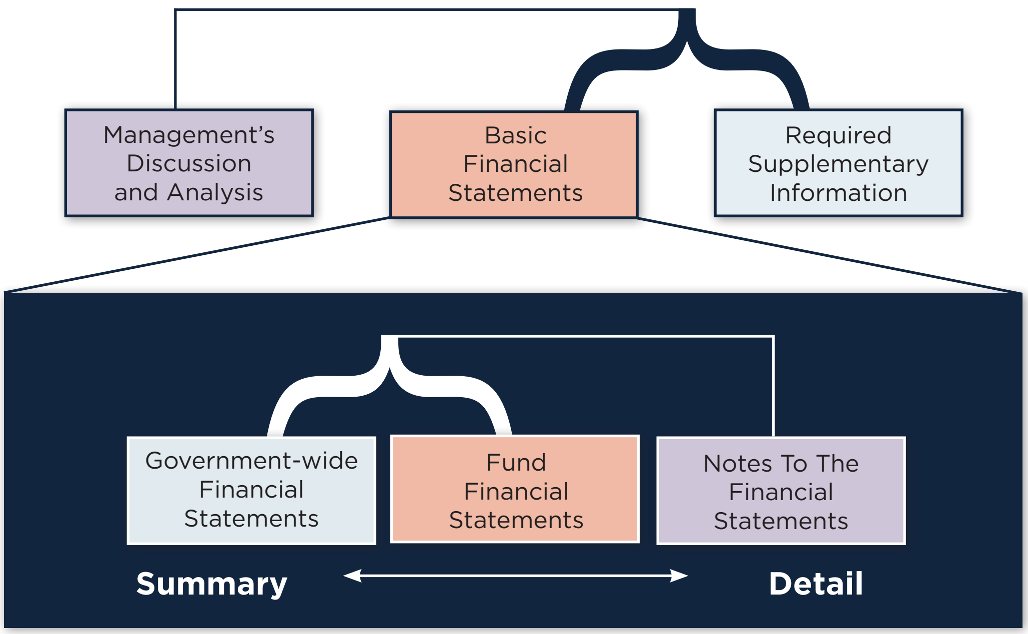
- The assets and deferred outflows of resources of the City of Raleigh exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $2,067.9 million *(net position)*.
    - This amount represents a $159.1 million increase in operating results from prior year, or 8.2%
    - Of this amount, $387.2 million *(unrestricted net position)* may be used to meet the government's ongoing obligations to citizens and creditors
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $573.7 million.
    - Of this total amount, 56.5% or $324.0 million is assigned for specific purposes as identified by the City
    - $83.4 million, or 14.5%, is unassigned in the general fund and is available for spending at the City's discretion
    - $78.2 million is assigned in fund balance for future debt service
- At the end of the current fiscal year, fund balance for the General fund was $249.8 million.
- Highlights of financing issues and activities for the City during 2014-15 are as follows:
    - The City issued $66.7 million in limited obligation bonds to finance the construction of the new communications center and a fire station
    - The City issued $21.4 million in limited obligation bonds to refund remaining parking certificate of participation obligations, which will reduce future gross debt service payments by $4.9 million over an average of twenty years
    - The City issued $47.8 million in revenue bonds to refund remaining revenue bond obligations, which will reduce future gross debt service payments by $10.1 million over an average of twenty years
    - The City issued $35.1 million in general obligation bonds to finance capital projects for Street improvement ($5.1 million), Parks ($20.0 million) and taxable Housing bonds ($10.0 million)
    - The City drew down $4.7 million from the PNC Bank drawdown program to fund various capital projects as follows:
        - General Government (Sandy Forks Road improvements) - $1.0 million
        - Convention Center Complex (Performing Arts) enterprise fund - $3.7 million
- The City of Raleigh maintained its AAA/Aaa general obligation bond rating from all three major rating agencies. Further, the water and sewer fund's revenue bond program, already rated AAA by two of the three major rating agencies, was put on positive outlook by the third rating agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of two sections: introductory and financial. As Figure A-1 shows, the financial section has three components – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements, as follows:
    - The governmental funds statements tell how general government services such as public safety and public works, for example, were financed in the short-term as well as what remains for future spending.
    - Proprietary fund statements offer short and long-term financial information about the activities the government operates as a business, including the water and sewer enterprise, the convention and performing arts complex and the operations of mass transit, stormwater management, parking facilities and solid waste services. Internal service funds are also presented within this section.
    - Fiduciary fund statements provide information about the financial relationships—for example, the retirement plan for the City's employees—in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

Components of the Financial Section



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The figure above shows how the required parts of this annual report are arranged and relate to one another. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each 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 *statement of net position* presents information on all of the City's assets and deferred outflows of resources compared to liabilities and deferred inflows of resources, with the difference between reported as net position. This statement combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases and decreases in net position may serve as useful indicators of whether the financial position of the City of Raleigh is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities)*. This is intended to simplify and summarize the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities of the City include general government, community development, public works, public safety, leisure services, and economic development programs. The business-type activities of the City include water and sewer, convention and performing arts complex fund, parking facilities, mass transit, stormwater management and solid waste services.

The government-wide financial statements include the Walnut Creek Financing Assistance Corporation *(WCFAC, a blended component unit)*, an organization formed to be the financing conduit for certain debt issuances such as certificate of participation. The WCFAC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1 - 3 of this report.

Fund financial statements. Traditional users of governmental fund financial statements will find the fund financial statements presentation more familiar. However, the focus is on major funds, rather than the individual fund types. The fund financial statements 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 Raleigh, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

While the focus of governmental funds is narrower than that of the government-wide financial statements, it is still useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4 - 9 of this report.

Proprietary funds. The City of Raleigh maintains two different types 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 uses enterprise funds to account for its water and sewer, convention and performing arts complex (referred to as convention center) operations, parking facilities, mass transit, stormwater management operations, and solid waste services. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Raleigh uses internal service funds to account for governmental and business-type activities such as risk management, employees' health benefits trust and vehicle fleet services. The City also maintains equipment replacement funds for governmental, solid waste services and public utilities. The internal services benefit government-wide functions except for the public utilities and solid waste services equipment replacement funds, which benefit business-type functions. These services have been included within their respective predominant activities in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the six enterprise funds, all reported as major. Conversely, all internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 10 - 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 18 - 19 of this report.

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 can be found on pages 20-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Raleigh's progress in funding its obligation to provide pension benefits to City employees, which includes Other Post-Employment Benefits (OPEB), Local Government Employees' Retirement System (LGERS), as well as Law Enforcement Officers (LEO). Required supplementary information can be found on pages 65 - 70 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 71 - 125 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,067.9 million at the close of the most recent fiscal year, compared to $1,947.8 million at the end of the previous fiscal year.

The following table reflects the condensed Statement of Net Position:

Net Position

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
Current and other assets	$635.3	$700.1	$383.6	$444.1	$1,018.9	$1,144.2
Capital assets	912.2	998.9	1,749.4	1,784.8	2,661.6	2,783.7
Deferred outflows of resources	6.0	16.6	82.9	91.6	88.9	108.2
Total assets and deferred outflows of resources	**1,553.5**	**1,715.6**	**2,215.9**	**2,320.5**	**3,769.4**	**4,036.1**
Long-term debt outstanding	548.2	637.1	1,108.9	1,105.7	1,657.1	1,742.8
Other liabilities	48.7	47.5	112.8	117.6	161.5	165.1
Deferred inflows of resources	0.8	44.8	2.2	15.5	3.0	60.3
Total liabilities and deferred inflows of resources	**597.7**	**729.4**	**1,223.9**	**1,238.8**	**1,821.6**	**1,968.2**
Net investment in capital assets	568.3	601.8	730.8	763.3	1,299.1	1,365.1
Restricted	285.7	315.7	-	-	285.7	315.7
Unrestricted	101.8	68.7	261.2	318.4	363.0	387.1
Total net position	**$955.8**	**$986.2**	**$992.0**	**$1,081.7**	**$1,947.8**	**$2,067.9**

By far the largest portion of the City of Raleigh's net position ($1,365.1 million or 66.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) net of any related debt used to acquire those assets that is still outstanding. The City of Raleigh uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City of Raleigh's investment in its capital assets is reported net of outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position ($315.7 million or 15.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($387.1 million or 18.7%) may be used to meet the City's ongoing operations.

At the end of the current fiscal year, the City of Raleigh is able to report positive balances in all three categories of net position both for the City as a whole, as well as for its separate governmental and business-type activities.

The City's net position increased by $159.1 million in operating results from prior year. The following table summarizes the changes in net position, including a restatement amount of $39.0 million:

Changes in Net Position

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	$43.1	$46.2	$267.8	$289.1	$310.9	$335.3
Operating grants and contributions	32.4	35.3	6.8	9.0	39.2	44.3
Capital grants and contributions	8.7	10.1	3.8	13.7	12.5	23.8
General revenues:						
Property taxes	203.5	214.3	-	-	203.5	214.3
Other taxes	128.7	135.8	-	-	128.7	135.8
Other	18.9	20.5	3.3	2.0	22.2	22.5
Total revenues	**435.3**	**462.2**	**281.7**	**313.8**	**717.0**	**776.0**
Expenses:						
General government	40.8	37.4	-	-	40.8	37.4
Community development services	23.3	22.9	-	-	23.3	22.9
Public works	57.9	50.7	-	-	57.9	50.7
Public safety	155.6	147.9	-	-	155.6	147.9
Leisure services	61.7	63.8	-	-	61.7	63.8
Economic development programs	7.9	4.9	-	-	7.9	4.9
Interest on long-term debt	16.6	18.7	-	-	16.6	18.7
Water and sewer	-	-	144.9	146.9	144.9	146.9
Convention center	-	-	33.9	33.9	33.9	33.9
Mass transit	-	-	35.4	37.9	35.4	37.9
Parking facilities	-	-	11.8	11.5	11.8	11.5
Stormwater management	-	-	10.4	12.2	10.4	12.2
Solid waste services	-	-	30.5	28.4	30.5	28.4
Total expenses	**363.8**	**346.3**	**266.9**	**270.8**	**630.7**	**617.1**
Increase in net position before transfers	71.5	115.9	14.8	43.0	86.3	158.9
Transfers in (out)	(46.2)	(54.8)	46.2	54.8	-	-
Gain on the sale of property	6.2	0.2	-	-	6.2	0.2
Increase in net position	31.5	61.3	61.0	97.8	92.5	159.1
Net position, beginning of year	924.3	955.8	931.0	992.0	1,855.3	1,947.8
Restatement	-	(30.9)	-	(8.1)	-	(39.0)
Net position, end of year	**$955.8**	**$986.2**	**$992.0**	**$1,081.7**	**$1,947.8**	**$2,067.9**

During fiscal year 2015 the City's beginning net position was impacted by the required implementation of two changes in accounting principles. Each restatement is detailed in the below sections.

Pension Restatement. The City implemented Governmental Accounting Standards Board (GASB), Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27" for the fiscal year ended 2015. The primary objective of this Statement is to improve accounting and financial reporting for pensions, provide decision-useful information and additional transparency. The implementation of this standard impacted both the governmental and business-type activities.

With the reporting change, the City was allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. The previous standard focused on funding levels of the pension plan as a basis for calculating the data presented in financial statements. The new standard calculates the fair value of assets held compared to the present value of benefits owed, and pension expense is recognized when the benefit is earned rather than when it is paid. As of June 30, 2015, the City's share of the net pension asset is $21,863,612. A restatement, due to a change in accounting principal, was required by the Statement to record the effects of the reporting guidance, which decreased beginning net position by $31,044,483.

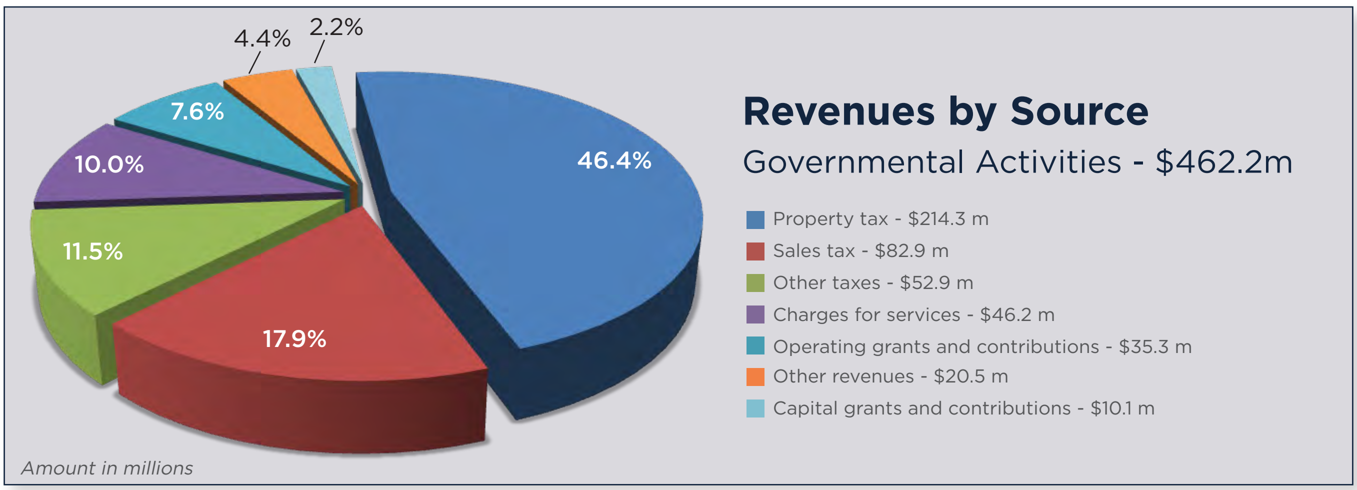
While the City reported a net pension asset for June 30, 2015, there will be fluctuations from year to year due to actuarial assumptions and investment earnings. The North Carolina pension plan ranks among one of the top three funded pension plans in the country. The decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Raleigh's management.

Loans Receivable Restatement. The City implemented changes in accounting principles for its long-term revolving loan programs accounted for in various governmental funds for the fiscal year ended June, 30 2015. The changes in accounting principles were issued in memorandum # 2016-02 issued on August 3, 2015 by the Department of State Treasurer, Local Government Commission. In summary, this change impacted how loans are presented in the financial statements.

This change in accounting principal resulted in a total restatement of $59,029,492 of fund balance in the governmental funds noted. This increase to fund balance was the result of writing off the deferred inflows of resources associated with these loans, creating an allowance for doubtful accounts and removing the current year loan activity from the operating statement. The creation of the allowance account ensures the City's loan receivable balances are stated at realizable value.

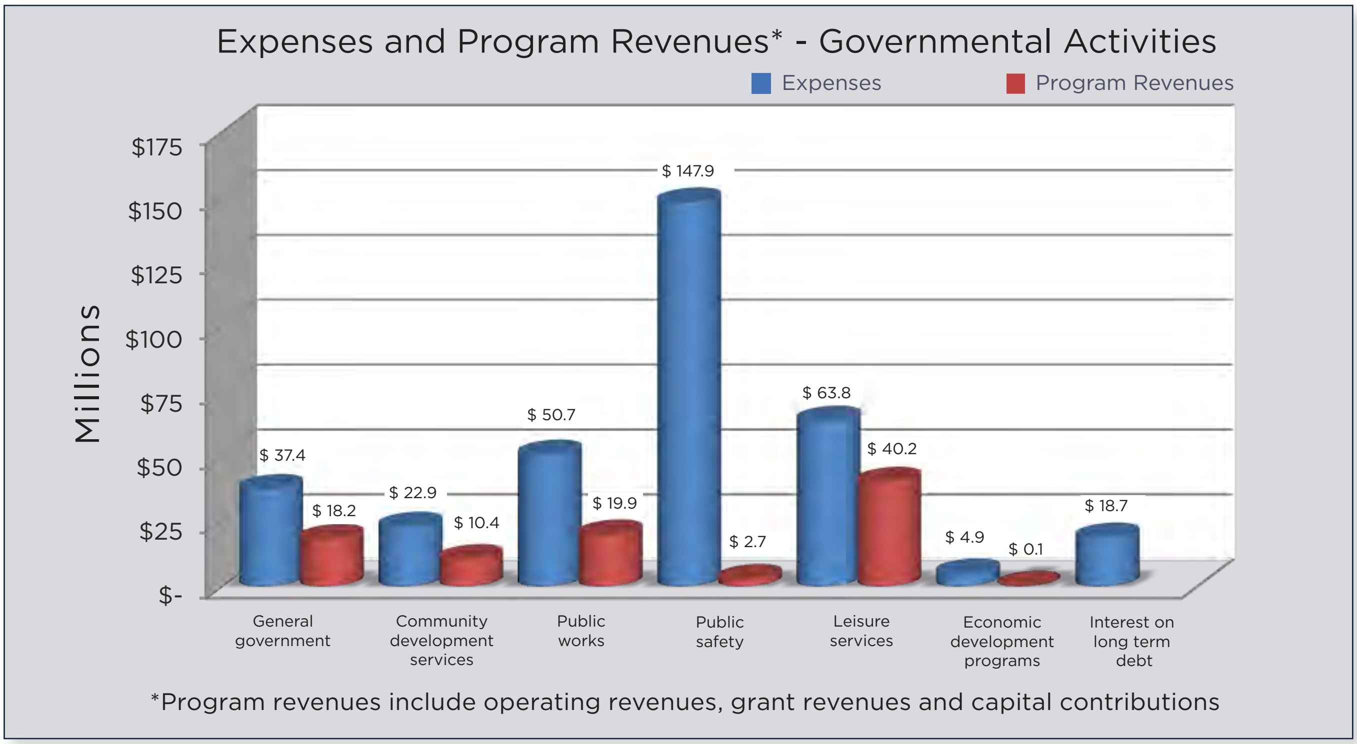
GOVERNMENTAL ACTIVITIES

Revenues for the City's governmental activities were $462.2 million, while expenses were $346.3 million. The increase in net position for governmental activities (after transfers out of $54.8 million) and the gain on the sale of property of $0.2 million was $30.4 million, net of restatements in fiscal year 2014-15.



The reported results for the fiscal year for the governmental activities show that:

- The City received $370.6 million (or 80.2%) in general revenues from taxes and other revenues:
  - Property taxes - $214.3 million
  - Sales taxes - $82.9 million
  - Other taxes - $52.9 million
- General revenues are used to pay for $254.7 million net cost of governmental activities, which represents this cost of services not covered by program revenues.
- Those who directly benefited from service-fee based programs, such as parks, recreation and cultural resources and inspection related fees, paid $46.2 million in charges for those services.
- Other governments and organizations subsidized certain City programs with grants and contributions totaling $45.4 million. Some of these grants and contributions include:
  - Support from various federal and state agencies - $23.0 million
  - Interlocal support from Wake County for debt service and other expenses on the convention center $22.2 million
- The total cost of all governmental activities this year was $346.3 million. This cost was incurred in order to provide basic municipal services to the citizens of Raleigh. These services include, but are not limited to: public safety (police, fire, emergency communication) leisure services (parks, recreation and cultural resources), public works (street maintenance, transportation), general government (city attorney, finance, information technology) and others. The City's four largest governmental programs represent 85.2% of the total governmental activities:
  - Public safety – 35.8%
  - Community development – 21.7%
  - Leisure services – 15.4%
  - Public works - 12.3%
- As depicted on the chart below, program expenses exceed program revenues for all governmental activities. This is to be expected as other general sources of revenue such as property taxes and sales taxes received by the City are used to subsidize the gap between program expenditures and program revenues.



*Program revenues include operating revenues, grant revenues and capital contributions

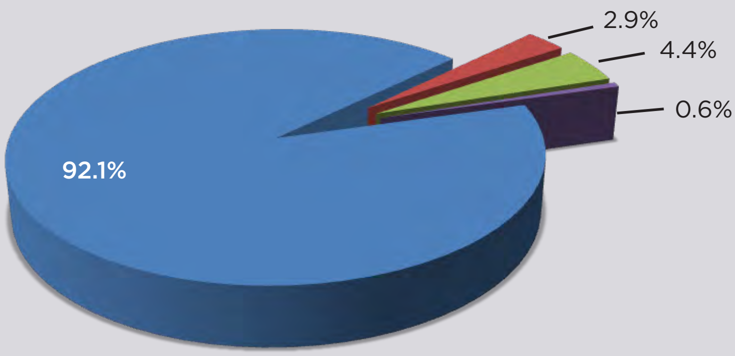
BUSINESS-TYPE ACTIVITIES

Revenues of the City's business-type activities were $313.8 million, and expenses were $270.8 million. The increase in net position for business-type activities (after transfers in of $54.8 million and before restatement associated with GASB 68 of $8.1 million) was $97.9 million in 2015. The following table shows the total cost and net cost or revenue for these services.

Net Cost of Business-Type Activities

(in millions of dollars)

	Total Cost of Services		Net (Cost) Revenue of Services	
	2014	2015	2014	2015
Water and sewer	$145.0	$146.9	$55.9	$71.0
Convention center	33.9	33.9	(20.9)	(20.6)
Mass transit	35.4	37.9	(22.7)	(14.0)
Parking facilities	11.8	11.5	0.5	2.0
Stormwater management	10.4	12.2	6.7	6.9
Solid waste services	30.5	28.4	(8.1)	(4.3)
Total	**$267.0**	**$270.8**	**$11.4**	**$41.0**



Revenues by Source

Business-type Activities - $313.8m

- Charges for services - $289.1 m
- Operating grants and contributions - $9.0 m
- Capital grants and contributions - $13.7 m
- Other revenue - $2.0 m

Amount in millions

Water and sewer operating revenue of $212.6 million reflects an increase of 7.8% from the prior year. The increase in revenue was largely the result of an increase in fees associated with financial projection models and approved rate increases, as well as new infrastructure fees. Operating expenses of $123.8 million increased 1.1% from 2013-14, which was consistent with expectations.

Convention Center operations including the Performing Arts venue delivered $13.3 million of operating revenues in 2014-15, an increase of 3.1% compared to 2013-14. This increase was a result of positive increases in event revenue as compared to the prior year. Operating expenses remained relatively flat as compared to the prior year. Overall, operations were consistent with expectations.

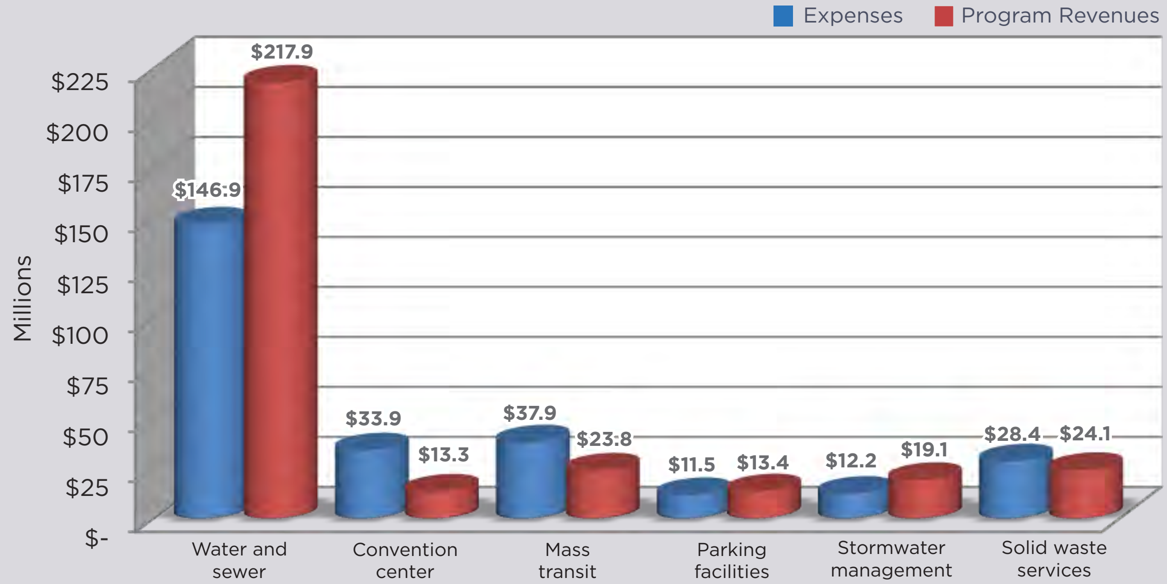
The parking facilities operations generated $13.2 million of revenues in 2014-15, an increase of 9.1% compared to 2013-14. This was driven by an increase in reserved parking rates and an increase in downtown parking demand. Parking facilities receives a small subsidy from the general fund. Operating expenses remained relatively flat as compared to prior year, which was consistent with expectations.

Mass transit operating revenues of $7.3 million reflects a 35.2% increase from the prior year. This was a result of increased ridership and an increase in fares, as well as the addition of express routes. Operating expenses of $37.9 million increased 7.1% from 2013-14. The mass transit operations are subsidized by the general fund and at the federal and state level through grant funding.

Stormwater management operating revenues of $17.5 million in 2014-15 are 2.9% higher than in 2013-14. Stormwater fees were positively impacted by continued development and growth throughout the City. Operating expenses of $12.2 million increased 15.1% from 2013-14, mostly due to a reorganization that resulted in several new positions and lease payments for new office space.

Solid waste services operating revenues of $24.1 million increased 8.6% from the prior year due to an approved solid waste collection fee increase for 2014-15, and the City's goal is for solid waste services to have an 80% cost recovery within three years. Solid waste services operations are subsidized by the general fund. Operating expenses remained relatively flat compared to 2013-14, which is consistent with expectations.

Expenses and Program Revenues* - Business-type Activities



* Program revenues include operating revenues, grant revenues and capital contributions

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *assigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the City of Raleigh's governmental funds reported combined ending fund balances of $573.7 million, an increase of $108.1 million or 23.2%, in comparison with the prior year. Classification of this fund balance is as follows:

- Approximately 12.8% is considered to be *nonspendable*, representing the City's investment in inventories and loans receivable.
- Approximately 16.2% is *restricted* to indicate that it is not available for new spending because it has already been restricted for:
    - State statute - $51.2 million
    - Debt service costs and encumbrances - $36.3 million
    - Federal program reserves - $3.2 million
    - Public safety - $2.0 million
- Approximately 56.5% constitutes *assigned fund balance*, which is available for spending at the government's discretion.
- The remaining fund balance of 14.5% is *unassigned*, and represents the City's residual net resources.

Governmental Fund Balance Classification at June 30, 2015

(in millions of dollars)

	General Fund	Nonmajor Governmental	Total Governmental	%
Nonspendable	$4.0	$69.5	$73.5	12.8%
Restricted:				
State statute	51.2	–	51.2	8.9%
Debt service	–	36.3	36.3	6.3%
Federal programs	3.2	–	3.2	0.6%
Public safety	–	2.0	2.0	0.4%
	54.4	38.3	92.7	16.2%
Assigned	108.6	216.0	324.6	56.5%
Unassigned	83.4	–	83.4	14.5%
Total fund balance	**$250.4**	**$323.8**	**$574.2**	**100.0%**

The general fund is the chief operating fund of the City. The fund balance of the City's general fund increased by $23.1 million during the current fiscal year. Revenues continue to show positive growth and were utilized for normal City programs, as well as increased investment in employees.

The North Carolina Local Government Commission strongly recommends that local governments maintain an unassigned fund balance of at least 8% of general fund expenditures. The City's policy is to maintain an unassigned fund balance of at least 14% of the succeeding year's expenditure budget. Unassigned fund balance of $83.4 million represents 18.0% of the 2015-16 general fund expenditure budget. Unassigned fund balance is the amount remaining after management's policy designations.

Proprietary funds. The City of Raleigh's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All enterprise funds are treated as major funds and include the water and sewer, convention and performing arts complex, mass transit, stormwater management, parking facilities and solid waste services funds. Additional discussion concerning the finances of these funds has already been addressed in the discussion of the City's business-type activities.

BUDGETARY HIGHLIGHTS

During the fiscal year, City Council approved various modifications to the original, approved budget. Generally, budget amendments fall into one of four categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once final information is available; 2) amendments made to recognize new funding amounts from external sources, such as from Federal or State grants; 3) increases in appropriations that become necessary to maintain services; and 4) amounts that are carried over from the previous year and re-designated for the subsequent year's expenditures.

General fund revenues recognized positive budget variances during 2014-15 with actual results coming in at $13.6 million above final budget. Revenue was positively impacted by continued improvement in both property tax and sales tax, two of the City's primary revenue streams. General fund expenditures came in well below budget, which resulted in a positive budget variance of $52.3 million. All expenditure functions and departments reported positive budget variances, which is a result of conservative budget practices as well as the City's cost management efforts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City of Raleigh's cumulative investment in capital assets for its governmental and business-type activities, as of June 30, 2015, amounts to $2,783.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, watershed protection rights, buildings and machinery, water and sewer systems, streets and sidewalks, parking decks, buses, equipment, furniture and fixtures, enterprise-wide software and general improvements. The City's investment in capital assets for the current fiscal year was $122.1 million, a 4.6% increase over prior year.

Major capital asset investments during the fiscal year included the following:

- Construction began and/or was completed for governmental activities including a variety of street, park and greenway projects. Total governmental projects completed and capitalized in fiscal year 2014-15 were $27.9 million. Examples include:
    - Improvements to Pullen Park were completed for a total capitalized cost of $8.6 million
    - The Five Points Center for Active Adults was completed for a total capitalized cost of $8.4 million
    - Several other streets and parks projects were completed for a total capitalized cost of $10.9 million
- Governmental equipment acquisitions added $11.7 million to the City's rolling stock inventory
- Construction in progress for all governmental activities was $347.2 million

- Construction began and/or was completed on additional facilities for various enterprise operations. Total enterprise projects completed and capitalized in fiscal year 2014-15 amounted to $40.1 million. There were significant enterprise projects completed that attributed to the total including:
    - Poplar Creek Sewer Interceptor - $6.6 million
    - Neuse River Waste Water Treatment Plant Electrical Improvements - $5.0 million
    - Little River Reservoir Wetland Mitigation - $4.7 million
    - Mingo Creek Parallel Sewer - $3.5 million
    - Wendell Infiltration & Inflow Improvements - $3.1 million
    - Dunn Road Sewer Replacement - $2.7 million
    - Zebulon Infiltration & Inflow Improvements - $2.5 million
    - Other enterprise projects were completed for a total capitalized cost of $12.0 million
- Enterprise equipment acquisitions added $7.6 million to the City's rolling stock inventory
- Construction in progress for all enterprise activities was $316.1 million
- Annexations added $4.4 million to streets for governmental activities and $4.2 million to water and sewer systems for the business-type activities

Additional information on the City's capital assets can be found on pages 31 - 33 of the notes to the financial statements of this report.

Capital Assets*

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	**2015**	**2014**	**2015**	**2014**	**2015**
Land	$149.5	$149.8	$81.2	$81.2	$230.7	$231.0
Construction in progress	259.3	347.2	296.4	316.1	555.7	663.3
Watershed protection rights	-	-	4.7	4.7	4.7	4.7
Buildings and machinery	60.3	57.6	311.1	301.3	371.4	358.9
Water and sewer systems	-	-	810.0	823.6	810.0	823.6
Streets and sidewalks	289.4	272.5	0.9	0.8	290.3	273.3
Parking decks	-	-	110.4	106.8	110.4	106.8
Buses	-	-	8.3	14.8	8.3	14.8
Equipment	20.2	25.4	21.5	23.2	41.7	48.6
Furniture and fixtures	0.1	0.1	-	-	0.1	0.1
Improvements	99.9	114.6	104.9	112.3	204.8	226.9
Enterprise-wide software	33.6	31.7	-	-	33.6	31.7
Total	**$912.3**	**$998.9**	**$1,749.4**	**$1,784.8**	**$2,661.7**	**$2,783.7**

* Amounts shown net of accumulated depreciation

Long-term debt. At the end of the current fiscal year, the City had total general obligation bonds outstanding of $332.2 million. The remainder of the City's debt represents revenue bonds ($646.4 million) and installment financing agreements ($631.7 million – installment notes, COPS, etc.) secured solely by specified revenue sources and property.

State statute limits the amount of general obligation debt a governmental entity may issue to 8.0% of the total assessed value of taxable property. The City's outstanding net debt of $1,134.7 million (*Legal Debt Margin Information statistical schedule*) is significantly less than the current debt limitation of $4,218.1 million.

Long-Term Debt

(in millions of dollars)

	Governmental Activities		Business-type Activities		Total Activities	
	2014	2015	2014	2015	2014	2015
General obligation bonds	$316.8	$330.4	$3.4	$1.8	$320.2	$332.2
Revenue bonds	-	-	665.9	646.4	665.9	646.4
Installment financing agreements	157.4	225.9	388.6	405.8	546.0	631.7
Total	**$474.2**	**$556.3**	**$1,057.9**	**$1,054.0**	**$1,532.1**	**$1,610.3**

Raleigh continues to benefit from outstanding credit ratings as evidenced by the aforementioned placements, earning the highest general obligation credit ratings and excellent revenue bond and limited obligation bond ratings from all three major rating agencies.

Additional discussion concerning the outstanding debt of the City has already been addressed in the Financial Highlights section of this report. Further information on the City of Raleigh's long-term debt can be found in the notes to the financial statements on pages 37 – 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As noted in the above discussion and analysis, the financial results for the year ended June 30, 2015 continued to show improvements year over year, reflecting more positive trends in the local and national economy. The improvements in property tax, sales tax and certain growth related revenues are projected to continue for fiscal year 2015-16 and, combined with ongoing diligent management of City expenses, should result in the City again meeting our fund balance goals and maintaining our AAA/Aaa general credit ratings. Through these budget plans, City management and staff remain committed to providing Raleigh citizens a high quality of service at a reasonable cost.

Significant factors considered in preparing the City's budget for the 2015-16 fiscal year include the following:

- The 2015-16 combined budgets for operating and capital programs totals $833.6 million, representing a 10.5% overall increase over the 2014-15 combined budget.
- The adopted General Fund budget for 2015-16 of $434.9 million increased 4.4% over the prior year adopted budget.
    - The primary revenue source, property taxes, is budgeted at $226.7 million, an increase of $13.8 million, or 6.5% from 2014-15
    - The property tax rate increased by 1.72 cents per $100 valuation for a park bond referendum in November 2014
    - The 2015-16 budget for sales tax is $86.7 million, an increase of $7.0 million, or 8.8% from 2014-15
- Consistent with the City's multi-year utility rate model, the budget for water and sewer charges increased 6.9% from $201.6 million to $215.5 million for the 2015-16 budget year. This increase is attributed to water and sewer rate adjustments.
- The 2015-16 capital budget includes new and/or continuing projects totaling $215.6 million, including projects for roads, parks, utilities and general public facilities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Raleigh's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the:

Office of the Chief Financial Officer
City of Raleigh
PO Box 590
Raleigh, North Carolina 27602
(919) 996-4930

Basic Financial Statements

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

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 399,452,765	$ 302,243,919	$ 701,696,684
Taxes receivable, net of allowance for uncollectibles of $9,337,673	485,056	-	485,056
Assessments receivable, net of allowance for uncollectibles of $227,914	761,291	1,336,915	2,098,206
Customer receivables, net of allowance for uncollectibles of $9,363,360	21,606	25,137,711	25,159,317
Due from transit management	-	276,806	276,806
Due from other governmental agencies	14,410,637	9,387,487	23,798,124
Accrued interest receivable	785,640	568,331	1,353,971
Other receivables and assets	9,641,802	780,010	10,421,812
Sales tax receivable	25,004,842	3,132,333	28,137,175
Internal balances	(5,847,570)	5,847,570	-
Inventories	4,136,756	9,303,115	13,439,871
Assets held for resale	11,625,378	-	11,625,378
Loans receivable, net of allowance $7,978,075	58,480,473	-	58,480,473
Cash and cash equivalents/investments - restricted deposits and bond proceeds	161,645,308	80,358,357	242,003,665
Net law enforcement officer's pension asset	3,363,462	-	3,363,462
Net pension asset	16,145,270	5,718,342	21,863,612
Capital assets:			
Land and construction in progress	497,033,941	402,014,616	899,048,557
Other capital assets, net of depreciation	501,888,790	1,382,794,449	1,884,683,239
Total assets	1,699,035,447	2,228,899,961	3,927,935,408
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized refunding charges	5,085,522	19,742,354	24,827,876
Contributions to pension plan	11,560,233	2,919,389	14,479,622
Accumulated decrease in fair value of hedging derivatives	-	68,944,224	68,944,224
Total deferred outflows of resources	16,645,755	91,605,967	108,251,722
LIABILITIES			
Accounts payable	19,154,378	12,130,759	31,285,137
Accrued salaries and employee payroll taxes	10,322,593	299,094	10,621,687
Accrued interest payable	4,955,919	10,939,918	15,895,837
Sales tax payable	-	41,459	41,459
Rehabilitation loans escrow	1,712,767	-	1,712,767
Due to other governmental agencies	-	441,918	441,918
Other current liabilities	171,737	-	171,737
Escrow and other deposits payable from restricted assets	1,535,764	24,048,570	25,584,334
Reimbursable facility fees	7,524,703	-	7,524,703
Derivative instrument liability	-	68,944,224	68,944,224
Long-term liabilities:			
Due within one year	71,776,450	58,564,183	130,340,633
Due in more than one year	565,361,859	1,047,105,386	1,612,467,245
Net OPEB pension liability	2,158,186	764,387	2,922,573
Total liabilities	684,674,356	1,223,279,898	1,907,954,254
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	4,763,537	1,377,318	6,140,855
Pension deferrals	39,935,631	14,144,425	54,080,056
Prepaid taxes and assessments	128,064	-	128,064
Total deferred inflows of resources	44,827,232	15,521,743	60,348,975
NET POSITION			
Net investment in capital assets	601,801,929	763,249,218	1,365,051,147
Restricted for:			
Capital projects	212,329,559	-	212,329,559
Community development projects	48,924,677	-	48,924,677
Stabilization by state statute	51,240,619	-	51,240,619
Federal programs	3,154,969	-	3,154,969
Unrestricted	68,727,861	318,455,069	387,182,930
Total net position	$ 986,179,614	$ 1,081,704,287	$ 2,067,883,901

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 37,368,016	$ 14,696,292	$ 3,536,342	$ -
Community development services	22,866,940	1,901,968	5,088,360	3,435,966
Public works	50,718,923	12,950,237	2,005,021	4,966,483
Public safety	147,887,379	448,243	2,235,572	-
Leisure services	63,834,552	16,189,098	22,363,893	1,677,721
Economic development programs	4,868,486	2,037	66,660	-
Interest on long-term debt	18,734,732	-	-	-
Total governmental activities	346,279,028	46,187,875	35,295,848	10,080,170
Business-type activities:				
Water and sewer	146,918,566	213,297,971	-	4,621,487
Convention center complex	33,885,969	13,341,761	-	-
Mass transit	37,853,739	7,356,151	8,652,531	7,799,716
Parking facilities	11,456,359	13,417,340	-	-
Solid waste services	28,449,904	24,169,660	-	-
Stormwater	12,205,311	17,458,733	376,686	1,267,032
Total business-type activities	270,769,848	289,041,616	9,029,217	13,688,235
Total City of Raleigh	$ 617,048,876	$ 335,229,491	$ 44,325,065	$ 23,768,405

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

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

	Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:			
General government	$ (19,135,382)	$ -	$ (19,135,382)
Community development services	(12,440,646)	-	(12,440,646)
Public works	(30,797,182)	-	(30,797,182)
Public safety	(145,203,564)	-	(145,203,564)
Leisure services	(23,603,840)	-	(23,603,840)
Economic development programs	(4,799,789)	-	(4,799,789)
Interest on long-term debt	(18,734,732)	-	(18,734,732)
Total governmental activities	(254,715,135)	-	(254,715,135)
Business-type activities:			
Water and sewer	-	71,000,892	71,000,892
Convention center complex	-	(20,544,208)	(20,544,208)
Mass transit	-	(14,045,341)	(14,045,341)
Parking facilities	-	1,960,981	1,960,981
Solid waste services	-	(4,280,244)	(4,280,244)
Stormwater	-	6,897,140	6,897,140
Total business-type activities	-	40,989,220	40,989,220
Total City of Raleigh	(254,715,135)	40,989,220	(213,725,915)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	214,287,622	-	214,287,622
Local sales tax	82,864,205	-	82,864,205
Franchise tax	28,551,466	-	28,551,466
Other taxes	20,123,897	-	20,123,897
Privilege license tax	4,282,329	-	4,282,329
Unrestricted investment earnings	2,288,356	2,029,003	4,317,359
Miscellaneous	18,191,374	-	18,191,374
Total general revenues not including transfers	370,589,249	2,029,003	372,618,252
Transfers	(54,857,727)	54,857,727	-
Gain on the sale of property	255,609	-	255,609
Total general revenues and transfers	315,987,131	56,886,730	372,873,861
Change in net position	61,271,996	97,875,950	159,147,946
Net position - beginning of year	955,810,614	991,947,899	1,947,758,513
Restatement loan allowance (note 4.G, page 64)	(7,978,075)	-	(7,978,075)
Restatement GASB 68 (note 4.G, page 64)	(22,924,921)	(8,119,562)	(31,044,483)
Net position - end of year	$ 986,179,614	$ 1,081,704,287	$ 2,067,883,901

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 211,099,634	$ 135,695,686	$ 346,795,320
Taxes receivable, net of allowance for uncollectibles of $9,337,673	485,056	-	485,056
Assessments receivable, net of allowance for uncollectibles of $152,089	385,848	375,443	761,291
Customer receivables	21,606	-	21,606
Due from other governmental agencies	2,381,854	10,471,446	12,853,300
Due from GoTriangle	-	1,557,337	1,557,337
Accrued interest receivable	526,794	258,846	785,640
Other receivables and assets	8,393,535	-	8,393,535
Sales tax receivable	23,201,368	1,803,475	25,004,843
Due from other funds	6,135,513	414,194	6,549,707
Inventories	3,380,800	-	3,380,800
Other assets	74,572	-	74,572
Loans receivable, net of allowance for uncollectibles of $7,978,075	595,539	57,884,933	58,480,472
Assets held for resale	-	11,625,378	11,625,378
Cash and cash equivalents /investments - restricted deposits and bond proceeds	9,143,361	139,718,363	148,861,724
Total assets	$ 265,825,480	$ 359,805,101	$ 625,630,581
LIABILITIES			
Liabilities:			
Accounts payable	$ 3,137,483	$ 15,178,795	$ 18,316,278
Accrued salaries and employee payroll taxes	1,745,108	17,569	1,762,677
Employee taxes and related withholdings	7,050,735	2,741	7,053,476
Sales tax payable	-	26,721	26,721
Loan servicing escrow	441,676	1,271,091	1,712,767
Other liabilities	1,495,027	11,413	1,506,440
Due to other funds	414,194	5,801,782	6,215,976
Reimbursable facility fees	375,800	7,148,903	7,524,703
Escrow and other deposits payable from restricted assets	-	1,535,764	1,535,764
Due to other governmental agencies	-	171,737	171,737
Total liabilities	14,660,023	31,166,516	45,826,539
DEFERRED INFLOWS OF RESOURCES			
Property tax receivable	485,056	-	485,056
Assessments receivable	385,848	375,443	761,291
Prepaid assessments	-	7,426	7,426
Prepaid taxes and facility fees	120,638	-	120,638
Unearned revenue	347,001	4,416,537	4,763,538
Total deferred inflows of resources	1,338,543	4,799,406	6,137,949
FUND BALANCES			
Nonspendable:			
Assets held for resale	-	11,625,378	11,625,378
Inventories	3,380,800	-	3,380,800
Loans receivable	595,539	57,884,933	58,480,472
Restricted:			
Stabilization by state statute	51,240,619	-	51,240,619
Debt service	-	36,338,216	36,338,216
Federal program reserves	3,154,969	-	3,154,969
Public safety	-	2,022,007	2,022,007
Assigned:			
Subsequent year's appropriation	27,844,537	131,298,643	159,143,180
Community development	1,605,798	9,777,291	11,383,089
City projects	416,815	73,477,721	73,894,536
Disaster recovery	-	1,414,990	1,414,990
Debt service	78,190,263	-	78,190,263
Unassigned	83,397,574	-	83,397,574
Total fund balances	249,826,914	323,839,179	573,666,093
Total liabilities, deferred inflows of resources and fund balances	$ 265,825,480	$ 359,805,101	$ 625,630,581

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

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total *fund balances* for governmental funds			$ 573,666,093
Total *net position* reported for governmental activities in the statement of net position is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Land and construction in progress - $497,033,941 capital assets being depreciated, net - $479,942,012).			976,975,953
Net pension asset			15,697,090
Contributions to the pension plan in the current fiscal year are deferred outflows of resources in the Statement of Net Positon			11,560,233
The net assets / liabilities from the law enforcement officer's separation allowance and OPEB plans resulting from contributions greater than or less than the amount of annual required contributions are not financial resources and therefore are not reported in the funds.			1,205,276
Unamortized refunding charges are reported as expenditures in the funds because current financial resources are used.			5,085,522
Internal service funds are used by management to charge the costs of certain activities, such as risk management, employees' health benefits, equipment replacement and vehicle fleet services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.			32,517,296
Taxes receivable - $485,056, and assessments receivable - $761,292 will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			1,246,348
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. See below for detail regarding these liabilities.			
General obligation Bonds - long-term, net of issuance premium	$	(363,604,932)	
Installment Financing Agreements - long-term, net of unamortized refunding charges and issuance premium		(205,650,474)	
Earned Vacation Pay		(18,735,822)	
Accrued Interest Payable		(4,955,919)	
	$	(592,947,147)	(592,947,147)
Pension related deferrals			(38,827,050)
Net position of governmental activities			$ 986,179,614

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

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Ad valorem taxes	$ 215,042,404	$ -	$ 215,042,404
Intergovernmental	48,640,610	39,259,057	87,899,667
Non-governmental	-	79,939	79,939
Assessments	-	1,269,683	1,269,683
Local sales tax	82,864,205	-	82,864,205
Licenses	19,505,966	-	19,505,966
Gain (loss) on investments	1,858,570	992,205	2,850,775
Inspections fees	12,415,433	-	12,415,433
Highway maintenance refunds	1,393,211	-	1,393,211
Facility fees	-	11,990,234	11,990,234
Other fees and charges	15,488,320	-	15,488,320
Rents	378,205	479,052	857,257
Program income	84,621	1,095,579	1,180,200
Other revenues	2,626,255	314,438	2,940,693
Total revenues	400,297,800	55,480,187	455,777,987
EXPENDITURES			
Current:			
General government	37,406,899	2,944,949	40,351,848
Community development services	16,386,320	6,680,416	23,066,736
Public works	23,368,584	58,326,113	81,694,697
Public safety	148,659,370	36,837,406	185,496,776
Leisure services	51,751,012	27,632,978	79,383,990
Economic development programs	4,610,659	257,827	4,868,486
Debt service:			
Principal	31,726,190	-	31,726,190
Interest	19,602,520	-	19,602,520
Other debt service expenditures	596,877	-	596,877
Total expenditures	334,108,431	132,679,689	466,788,120
Excess (deficiency) of revenues over (under) expenditures	66,189,369	(77,199,502)	(11,010,133)
OTHER FINANCING SOURCES (USES)			
Transfers in	11,578,946	24,337,091	35,916,037
Transfers out	(55,861,485)	(32,016,430)	(87,877,915)
Note proceeds	-	1,032,846	1,032,846
Refunding bond issued	584,267	101,614,093	102,198,360
Premium on bonds issued	-	8,506,820	8,506,820
Proceeds from sale of property	-	255,609	255,609
Total other financing sources (uses)	(43,698,272)	103,730,029	60,031,757
Net change in fund balances	22,491,097	26,530,527	49,021,624
Fund balances, beginning of year	226,679,318	238,935,659	465,614,977
Restatement loans (Note 4.G, page 64)	656,499	58,372,993	59,029,492
Fund balances, restated	227,335,817	297,308,652	524,644,469
Fund balances, end of year	$ 249,826,914	$ 323,839,179	$ 573,666,093

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

Net change in *fund balances* - total governmental funds		$ 49,021,624
The change in *net position* reported for governmental activities in the statement of activities are different because:		
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 $117,045,287 exceeded depreciation $39,545,998 in the current period.		77,499,289
Net change in net assets/liabilities for the law enforcement officer's separation allowance and OPEB plans.		469,549
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Annexations - $4,419,276; Property taxes - ($754,781); Assessments - ($63,788).		3,600,707
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Debt issued or incurred:		
General obligation bonds issued	$ 35,050,000	
Installment financing	67,747,846	
Principal repayments:		
General obligation debt	(21,460,141)	
Installment financing	(10,531,071)	
Net adjustment	$ 70,806,634	(70,806,634)
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. Change in earned vacation pay -($1,216,837), and change in accrued interest expense - ($415,131) and net pension expense $10,490,009.		8,858,041
Governmental funds report premiums on bonds issued as an other financing source. In the governmental activities bond premiums are recorded as a liability and amortized over the life of the debt. Amortization for refunding charges and premium on bonds are expenses or reduction of expenses in the governmental activities.		(7,196,414)
Internal service funds are used by management to charge the costs of certain activities, such as risk management, employees' health benefits, equipment replacement, and vehicle fleet services to individual funds. The net expense of certain activities of internal service funds is reported with governmental activities.		(174,166)
Change in net position of governmental activities		$ 61,271,996

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	$ 212,857,000	$ 212,857,000	$ 215,042,404	$ 2,185,404
Intergovernmental	40,335,336	40,448,336	48,640,610	8,192,274
Local sales tax	79,700,000	79,700,000	82,864,205	3,164,205
Licenses	21,351,000	21,351,000	19,505,966	(1,845,034)
Gain (loss) on investments	1,419,454	1,419,454	1,858,570	439,116
Inspection fees	11,331,660	11,381,317	12,415,433	1,034,116
Highway maintenance refunds	1,100,000	1,100,000	1,393,211	293,211
Parks and recreation fees	5,684,165	5,690,165	5,382,226	(307,939)
Other fees and charges	10,603,751	10,841,054	10,106,094	(734,960)
Other revenues	1,862,935	1,877,935	3,089,081	1,211,146
Total revenues	386,245,301	386,666,261	400,297,800	13,631,539
EXPENDITURES				
General government:				
City council	282,485	289,810	266,977	22,833
City clerk	534,399	553,612	435,874	117,738
City attorney	2,987,075	3,029,116	2,877,677	151,439
Special appropriations	16,244,096	16,237,081	15,574,604	662,477
Agency appropriations	3,859,737	4,332,706	3,668,798	663,908
City manager	2,825,775	3,063,038	2,598,957	464,081
Public affairs office	2,299,845	2,420,710	1,763,015	657,695
Human resources	3,783,768	4,016,325	3,492,125	524,200
Administrative service	1,853,484	1,870,963	1,683,570	187,393
Finance	5,928,928	7,169,488	5,074,249	2,095,239
Information technology	17,282,990	18,454,210	16,023,594	2,430,616
Total general government	57,882,582	61,437,059	53,459,440	7,977,619
Community development services:				
Planning	5,292,346	5,597,110	5,145,123	451,987
Inspections	7,723,316	7,785,331	7,534,044	251,287
Community services	4,039,322	4,242,721	3,707,153	535,568
Economic development	5,403,516	5,541,962	4,610,659	931,303
Total community development services	22,458,500	23,167,124	20,996,979	2,170,145
Public works:				
Central engineering	15,707,416	15,808,875	14,945,513	863,362
Transportation	14,397,171	14,633,612	13,773,918	859,694
Total public works	30,104,587	30,442,487	28,719,431	1,723,056
Public safety:				
Emergency communications center	7,962,570	8,116,046	6,661,700	1,454,346
Police	93,243,894	94,802,847	88,630,613	6,172,234
Fire	54,352,753	54,617,640	53,367,057	1,250,583
Total public safety	155,559,217	157,536,533	148,659,370	8,877,163

Continued

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Leisure services:				
Parks and recreation	$ 50,711,165	$ 52,196,617	$ 46,579,342	$ 5,617,275
Walnut Creek Amphitheatre	255,817	255,817	221,223	34,594
Continuing recreation activities	8,183,666	8,597,611	4,950,447	3,647,164
Total leisure services	59,150,648	61,050,045	51,751,012	9,299,033
Debt service:				
Principal and interest	57,547,300	58,131,568	51,328,710	6,802,858
Other debt service expenditures	1,285,000	1,324,988	596,877	728,111
Total debt service	58,832,300	59,456,556	51,925,587	7,530,969
Total expenditures before charge-out	383,987,834	393,089,804	355,511,819	37,577,985
Less: administrative costs charged to other funds	21,284,501	21,284,501	21,403,388	(118,887)
Total expenditures	362,703,333	371,805,303	334,108,431	37,696,872
Excess (deficiency) of revenues over expenditures	23,541,968	14,860,958	66,189,369	51,328,411
OTHER FINANCING SOURCES (USES)				
Transfers in	11,966,630	11,966,630	11,578,946	(387,684)
Transfers out	(56,898,201)	(57,191,098)	(55,861,485)	1,329,613
Refunding bond issued	-	584,267	584,267	-
Total other financing sources (uses)	(44,931,571)	(44,640,201)	(43,698,272)	941,929
Net changes in fund balance	$ (21,389,603)	$ (29,779,243)	22,491,097	$ 52,270,340
Fund balance appropriated	$ 21,389,603	$ 29,779,243		
Fund balance, beginning of year			226,679,318	
Restatement loans (note 4.G page, 64)			656,499	
Fund balance, restated			227,335,817	
Fund balance, end of year			$ 249,826,914	

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund	Stormwater Fund
ASSETS				
Current assets:				
Cash and cash equivalents	$ 235,382,689	$ 14,102,923	$ (1,715,034)	$ 38,827,030
Customer receivables, net of allowance for uncollectibles of $9,363,360	21,890,225	-	-	1,130,487
Assessments receivable, net of allowance for uncollectibles of $75,826	1,336,915	-	-	-
Due from transit management	-	-	276,806	-
Due from other governmental agencies	4,639,646	-	3,564,063	492,405
Due from other funds	101,738	5,746	-	-
Accrued interest receivable	443,039	16,522	-	95,002
Other receivables and assets	362,047	414,417	-	-
Sales tax receivable	2,423,522	255,257	166,031	26,876
Inventories	8,637,665	-	665,450	-
Insurance deposit	-	-	-	-
Total current assets	275,217,486	14,794,865	2,957,316	40,571,800
Noncurrent assets:				
Restricted cash and cash equivalents	55,611,226	289,834	50,305	9,287,728
Net pension asset	3,455,844	561,575	91,796	302,386
Capital assets:				
Land and improvements	41,434,589	20,829,848	3,994,684	3,959,525
Construction in progress	278,302,513	7,625,996	562,790	27,902,217
Watershed protection rights	4,756,459	-	-	-
Water and sewer systems	1,177,369,361	-	-	-
Buildings and machinery	88,737,597	271,091,201	27,539,549	-
Parking decks	-	-	-	-
Buses	-	-	36,562,770	-
Equipment	21,217,200	2,217,708	2,869,721	1,090,536
Furniture and fixtures	61,921	2,511,265	50,046	-
Improvements	123,858,957	27,881,558	1,787,427	28,434,869
Less accumulated depreciation	(456,071,001)	(80,315,534)	(30,038,839)	(9,473,068)
Total noncurrent assets	1,338,734,666	252,693,451	43,470,249	61,504,193
Total assets	1,613,952,152	267,488,316	46,427,565	102,075,993
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	19,212,033	-	-	-
Contributions to pension plan	1,764,314	286,701	46,865	154,378
Accumulated decrease in fair value of hedging derivatives	28,413,443	40,530,781	-	-
Total deferred outflows of resources	49,389,790	40,817,482	46,865	154,378

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

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds			
	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 8,139,323	$ 5,057,375	$ 299,794,306	$ 55,107,058
Customer receivables, net of allowance for uncollectibles of $9,363,360	720,198	1,396,801	25,137,711	-
Assessments receivable, net of allowance for uncollectibles of $75,826	-	-	1,336,915	-
Due from transit management	-	-	276,806	-
Due from other governmental agencies	-	691,373	9,387,487	-
Due from other funds	-	-	107,484	34,306
Accrued interest receivable	13,768	-	568,331	91,303
Other receivables and assets	-	3,546	780,010	-
Sales tax receivable	48,580	55,023	2,975,289	839,435
Inventories	-	-	9,303,115	755,956
Insurance deposit	-	-	-	400,000
Total current assets	8,921,869	7,204,118	349,667,454	57,228,058
Noncurrent assets:				
Restricted cash and cash equivalents	84,298	-	65,323,391	27,818,550
Net pension asset	205,191	1,101,550	5,718,342	448,180
Capital assets:				
Land and improvements	8,009,899	2,952,033	81,180,578	-
Construction in progress	1,684,063	-	316,077,579	-
Watershed protection rights	-	-	4,756,459	-
Water and sewer systems	-	-	1,177,369,361	-
Buildings and machinery	-	15,648,174	403,016,521	263,470
Parking decks	146,158,165	-	146,158,165	-
Buses	-	-	36,562,770	-
Equipment	226,488	827,924	28,449,577	132,568,823
Furniture and fixtures	51,382	133,350	2,807,964	5,636
Improvements	1,814,807	7,241,743	191,019,361	-
Less accumulated depreciation	(39,899,170)	(5,023,188)	(620,820,800)	(92,659,621)
Total noncurrent assets	118,335,123	22,881,586	1,837,619,268	68,445,038
Total assets	127,256,992	30,085,704	2,187,286,722	125,673,096
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized bond refunding charges	530,321	-	19,742,354	-
Contributions to pension plan	104,756	562,375	2,919,389	228,809
Accumulated decrease in fair value of hedging derivatives	-	-	68,944,224	-
Total deferred outflows of resources	635,077	562,375	91,605,967	228,809

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

Continued

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund	Stormwater Fund
LIABILITIES				
Current liabilities:				
Accounts payable	$ 9,263,783	$ 1,045,844	$ 340,787	$ 892,973
Sales tax payable	13,504	19,221	3,393	6
Accrued salaries and employee payroll taxes	187,375	55,220	2,533	19,271
Accrued interest payable	7,006,301	3,280,211	-	-
Claims payable and other liabilities	-	1,105	-	-
Due to other funds	-	339,477	-	101,738
Due to other governmental agencies	-	-	-	-
Landfill postclosure liability	-	-	-	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	25,657,523	-	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	2,036,771	13,925,314	-	101,738
Total current liabilities	44,165,257	18,666,392	346,713	1,115,726
Noncurrent liabilities:				
Claims payable and other liabilities	-	-	-	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	662,603,503	-	-	-
Contracts and other notes payable, net of unamortized premiums and discounts	34,870,254	228,370,000	-	1,831,276
Landfill postclosure liability	-	-	-	-
Escrow and other deposits payable from restricted assets	14,420,703	289,834	50,305	9,287,728
Derivative instrument liability	28,413,443	40,530,781	-	-
Earned vacation pay	2,559,684	646,971	42,918	236,232
Net OPEB pension liability	461,953	75,067	12,271	40,421
Total noncurrent liabilities	743,329,540	269,912,653	105,494	11,395,657
Total liabilities	787,494,797	288,579,045	452,207	12,511,383
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	107,169	10,306	1,259,843	-
Pension deferrals	8,548,095	1,389,065	227,059	747,958
Total deferred inflows of resources	8,655,264	1,399,371	1,486,902	747,958
NET POSITION				
Net investment in capital assets	614,902,101	9,546,728	43,328,148	49,981,065
Unrestricted	252,289,780	8,780,654	1,207,173	38,989,965
Total net position	$ 867,191,881	$ 18,327,382	$ 44,535,321	$ 88,971,030

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds			
	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
LIABILITIES				
Current liabilities:				
Accounts payable	$ 80,216	$ 157,611	$ 11,781,214	$ 1,092,865
Sales tax payable	2,912	2,423	41,459	45,435
Accrued salaries and employee payroll taxes	8,581	26,114	299,094	20,495
Accrued interest payable	521,997	130,004	10,938,513	3,533
Claims payable and other liabilities	-	-	1,105	9,285,166
Due to other funds	-	-	441,215	34,306
Due to other governmental agencies	-	441,918	441,918	-
Landfill postclosure liability	-	402,250	402,250	-
Bonds, notes and loans payable, net of unamortized premiums and discounts	497,800	-	26,155,323	15,690,786
Contracts and other notes payable, net of unamortized premiums and discounts	3,415,000	1,388,245	20,867,068	-
Total current liabilities	4,526,506	2,548,565	71,369,159	26,172,586
Noncurrent liabilities:				
Claims payable and other liabilities	-	-	-	14,721,134
Bonds, notes and loans payable, net of unamortized premiums and discounts	180,486	-	662,783,989	39,064,535
Contracts and other notes payable, net of unamortized premiums and discounts	76,695,234	16,099,749	357,866,513	-
Landfill postclosure liability	-	3,210,927	3,210,927	-
Escrow and other deposits payable from restricted assets	-	-	24,048,570	-
Derivative instrument liability	-	-	68,944,224	-
Earned vacation pay	114,303	843,191	4,443,299	324,555
Net OPEB pension liability	27,428	147,247	764,387	-
Total noncurrent liabilities	77,017,451	20,301,114	1,122,061,909	54,110,224
Total liabilities	81,543,957	22,849,679	1,193,431,068	80,282,810
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	-	-	1,377,318	-
Pension deferrals	507,543	2,724,705	14,144,425	1,108,581
Total deferred inflows of resources	507,543	2,724,705	15,521,743	1,108,581
NET POSITION				
Net investment in capital assets	37,871,733	4,292,042	759,921,817	13,241,537
Unrestricted	7,968,836	781,653	310,018,061	31,268,977
Total net position	$ 45,840,569	$ 5,073,695	1,069,939,878	$ 44,510,514
	Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		11,764,409	
	Net position of business-type activities		$ 1,081,704,287	

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the fiscal year ended June 30, 2015

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund	Stormwater Fund
Operating revenues				
User charges	$ 202,678,560	$ 13,341,761	$ 7,110,346	$ 17,322,471
Charges for services - internal	-	-	-	-
Other	9,961,501	-	229,543	134,018
Drug rebate	-	-	-	-
Total operating revenues	212,640,061	13,341,761	7,339,889	17,456,489
Operating expenses				
Personnel services	-	7,973,621	582,684	3,930,330
Other facility operating costs	-	8,422,837	8,074,333	6,778,208
Operational expenses	-	-	-	-
Administration	8,647,200	-	-	-
Water supply and treatment	27,306,260	-	-	-
Sewer system and treatment	21,690,247	-	-	-
Warehousing, maintenance and construction	15,111,686	-	-	-
Utility billing	4,944,512	-	-	-
Other services	3,991,241	-	-	-
Non-departmental charges	8,899,660	-	-	-
Management contract charges	-	-	25,477,507	-
Claims	-	-	-	-
Premiums	-	-	-	-
Depreciation	33,225,979	8,138,102	3,719,431	1,499,804
Other	-	-	-	-
Total operating expenses	123,816,785	24,534,560	37,853,955	12,208,342
Operating income (loss)	88,823,276	(11,192,799)	(30,514,066)	5,248,147
Nonoperating revenue (expense)				
Gain (loss) on investments	1,616,240	53,709	-	310,152
Subsidy income - federal and state	-	-	8,652,531	376,686
Recovery of claims	-	-	-	-
Other revenues	620,134	-	-	-
Interest expense	(21,528,362)	(8,071,698)	-	-
Gain (loss) on disposal of capital assets	37,776	-	16,262	2,244
Miscellaneous expense	(2,295,512)	(1,281,659)	-	-
Total nonoperating revenue (expense)	(21,549,724)	(9,299,648)	8,668,793	689,082
Income (loss) before contributions, transfers and special items	67,273,552	(20,492,447)	(21,845,273)	5,937,229
Capital contributions	4,621,487	-	7,799,716	1,267,032
Transfers in	1,196,123	24,137,502	20,211,832	83,476
Transfers out	(1,913,882)	(298,381)	(65,351)	(174,755)
Change in net position	71,177,280	3,346,674	6,100,924	7,112,982
Net position, beginning of year	800,921,608	15,778,096	38,564,739	82,287,411
Restatement GASB 68 (Note 4 G. page 64)	(4,907,007)	(797,388)	(130,342)	(429,363)
Net position, restated	796,014,601	14,980,708	38,434,397	81,858,048
Net position, end of year	$ 867,191,881	$ 18,327,382	$ 44,535,321	$ 88,971,030

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the fiscal year ended June 30, 2015

	Enterprise Funds			
	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
Operating revenues				
User charges	$ 13,203,639	$ 24,100,758	$ 277,757,535	$ -
Charges for services - internal	-	-	-	70,585,059
Other	5,126	38,515	10,368,703	202,359
Drug rebate	-	-	-	215,652
Total operating revenues	13,208,765	24,139,273	288,126,238	71,003,070
Operating expenses				
Personnel services	1,711,231	10,571,672	24,769,538	4,376,478
Other facility operating costs	4,335,766	18,205,152	45,816,296	9,558,381
Operational expenses	-	-	-	4,043,935
Administration	-	-	8,647,200	-
Water supply and treatment	-	-	27,306,260	-
Sewer system and treatment	-	-	21,690,247	-
Warehousing, maintenance and construction	-	-	15,111,686	-
Utility billing	-	-	4,944,512	-
Other services	-	-	3,991,241	-
Non-departmental charges	-	-	8,899,660	-
Management contract charges	-	-	25,477,507	-
Claims	-	-	-	37,614,511
Premiums	-	-	-	1,650,896
Depreciation	3,618,021	759,071	50,960,408	10,912,015
Other	-	-	-	244,299
Total operating expenses	9,665,018	29,535,895	237,614,555	68,400,515
Operating income (loss)	3,543,747	(5,396,622)	50,511,683	2,602,555
Nonoperating revenue (expense)				
Gain (loss) on investments	45,030	-	2,025,131	433,659
Subsidy income - federal and state	-	-	9,029,217	-
Recovery of claims	-	-	-	1,647,744
Other revenues	-	-	620,134	-
Interest expense	(1,792,207)	(644,965)	(32,037,232)	(288,983)
Gain (loss) on disposal of capital assets	208,575	30,387	295,244	789,690
Miscellaneous expense	-	-	(3,577,171)	-
Total nonoperating revenue (expense)	(1,538,602)	(614,578)	(23,644,677)	2,582,110
Income (loss) before contributions, transfers and special items	2,005,145	(6,011,200)	26,867,006	5,184,665
Capital contributions	-	-	13,688,235	-
Transfers in	500,000	11,628,083	57,757,016	1,680,000
Transfers out	(154,369)	(292,551)	(2,899,289)	(4,575,849)
Change in net position	2,350,776	5,324,332	95,412,968	2,288,816
Net position, beginning of year	43,781,147	1,313,471		42,858,075
Restatement GASB 68 (Note 4 G. page 64)	(291,354)	(1,564,108)		(636,377)
Net position, restated	43,489,793	(250,637)		42,221,698
Net position, end of year	$ 45,840,569	$ 5,073,695		$ 44,510,514
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			2,462,982	
Change in net position of business-type activities			$ 97,875,950	

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2015

	Enterprise Funds			
	Water and Sewer Fund	Convention Center Fund	Mass Transit Fund	Stormwater Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 210,117,061	$ 13,063,901	$ 7,110,346	$ 17,155,661
Payments to employees	(39,889,925)	(8,144,974)	(622,474)	(4,020,392)
Payments to suppliers and service providers	(52,892,579)	(9,896,574)	(33,096,121)	(6,736,608)
Claims paid	-	-	-	-
Premiums paid	-	-	-	-
Other receipts	620,134	-	229,543	134,018
Other payments	-	(1,281,659)	-	-
Net cash provided by (used in) operating activities	117,954,691	(6,259,306)	(26,378,706)	6,532,679
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers from other funds	1,196,123	24,137,502	20,211,832	83,476
Operating subsidies and transfers to other funds	(1,913,882)	(298,381)	(65,351)	(174,755)
Operating grants received	-	-	2,368,993	376,686
Internal activity - payments from (to) other funds	(101,738)	(30,351)	-	101,738
Net cash provided by (used in) noncapital financing activities	(819,497)	23,808,770	22,515,474	387,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(51,234,525)	(3,914,192)	(9,746,073)	(7,250,367)
Capital grants and other capital contributions	(1,502,104)	-	12,297,965	1,496,052
Proceeds from capital debt	66,429,583	3,730,104	-	-
Principal paid on capital debt	(70,315,320)	(7,360,000)	-	(227,387)
Interest paid on capital debt	(30,223,966)	(8,205,033)	-	-
Other debt related payments	(2,295,512)	-	-	-
Proceeds from the sale of capital assets	37,776	-	16,262	2,244
Escrow deposits	(67,514)	-	-	1,710,672
Net cash provided by (used in) capital and related financing activities	(89,171,582)	(15,749,121)	2,568,154	(4,268,786)
CASH FLOWS FROM INVESTING ACTIVITIES				
Gain (loss) on investments held	1,453,809	47,041	-	271,816
Net cash provided by investing activities	1,453,809	47,041	-	271,816
Net increase (decrease) in cash and cash equivalents	29,417,421	1,847,384	(1,295,078)	2,922,854
Cash and cash equivalents - beginning of year	261,576,494	12,545,373	(369,651)	45,191,904
Cash and cash equivalents - end of year	$ 290,993,915	$ 14,392,757	$ (1,664,729)	$ 48,114,758
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 88,823,276	$ (11,192,799)	$ (30,514,066)	$ 5,248,147
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	33,225,979	8,138,102	3,719,431	1,499,804
Pension expense	185,244	30,102	4,921	16,209
Miscellaneous nonoperating income	620,134	-	-	-
Miscellaneous nonoperating expense	-	(1,281,659)	-	-
Change in assets and liabilities:				
Operating receivables	(3,080,993)	210,845	623,225	(166,810)
Sales tax receivable	(25,631)	(129,591)	(68,923)	20,173
Inventories	(497,860)	-	42,572	-
Other receivables and assets	512,065	-	-	-
Accounts payable and other accrued liabilities	(369,207)	(1,554,991)	(141,155)	21,427
Landfill postclosure liability	-	-	-	-
Escrow and other deposits	-	32,936	-	-
Earned vacation pay and other payroll liabilities	280,070	85,246	2,154	48,107
Increase (decrease) in deferred outflows of resources for pensions	(1,764,314)	(286,701)	(46,865)	(154,378)
Unearned revenue	45,928	(310,796)	-	-
Total adjustments	29,131,415	4,933,493	4,135,360	1,284,532
Net cash provided by (used in) operating activities	$ 117,954,691	$ (6,259,306)	$ (26,378,706)	$ 6,532,679
Noncash investing, capital, and financing activities:				
Capital contributions from annexations and mergers	$ 4,199,530	$ -	$ -	$ -
Capital contributions from grant and assessment receivables	$ 1,924,061	$ -	$ 7,799,716	$ 1,267,032
Restatement of net position, GASB 68	$ 4,907,007	$ 797,388	$ 130,342	$ 429,363
Acquisition and construction of capital assets	$ 988,026	$ 176,384	$ -	$ -

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended June 30, 2015

	Enterprise Funds			
	Parking Fund	Solid Waste Services Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 13,223,915	$ 24,088,978	$ 284,759,862	$ 70,585,059
Payments to employees	(1,802,007)	(11,069,706)	(65,549,478)	(4,351,762)
Payments to suppliers and service providers	(4,615,062)	(18,235,007)	(125,471,951)	(14,104,573)
Claims paid	-	-	-	(38,003,255)
Premiums paid	-	-	-	(1,650,896)
Other receipts	5,126	38,515	1,027,336	2,065,755
Other payments	-	-	(1,281,659)	(241,160)
Net cash provided by (used in) operating activities	6,811,972	(5,177,220)	93,484,110	14,299,168
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers from other funds	500,000	11,628,083	57,757,016	1,680,000
Operating subsidies and transfers to other funds	(154,369)	(292,551)	(2,899,289)	(4,575,849)
Operating grants received	-	-	2,745,679	-
Internal activity - payments from (to) other funds	-	-	(30,351)	-
Net cash provided by (used in) noncapital financing activities	345,631	11,335,532	57,573,055	(2,895,849)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase and construction of capital assets	(362,347)	(5,838)	(72,513,342)	(20,827,484)
Capital grants and other capital contributions	-	-	12,291,913	-
Proceeds from capital debt	21,370,000	-	91,529,687	31,850,676
Principal paid on capital debt	(25,137,721)	(1,288,706)	(104,329,134)	(9,401,297)
Interest paid on capital debt	(2,436,677)	(736,689)	(41,602,365)	(292,453)
Other debt related payments	(84,298)	-	(2,379,810)	-
Proceeds from the sale of capital assets	265,924	30,386	352,592	789,690
Escrow deposits	-	-	1,643,158	-
Net cash provided by (used in) capital and related financing activities	(6,385,119)	(2,000,847)	(115,007,301)	2,119,132
CASH FLOWS FROM INVESTING ACTIVITIES				
Gain (loss) on investments held	39,474	-	1,812,140	418,442
Net cash provided by investing activities	39,474	-	1,812,140	418,442
Net increase (decrease) in cash and cash equivalents	811,958	4,157,465	37,862,004	13,940,893
Cash and cash equivalents - beginning of year	7,411,663	899,910	327,255,693	68,984,715
Cash and cash equivalents - end of year	$ 8,223,621	$ 5,057,375	$ 365,117,697	$ 82,925,608
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	$ 3,543,747	$ (5,396,622)	$ 50,511,683	$ 2,602,555
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	3,618,021	759,071	50,960,408	10,912,015
Pension expense	10,999	59,046	306,521	24,024
Miscellaneous nonoperating income	-	-	620,134	1,647,744
Miscellaneous nonoperating expense	-	-	(1,281,659)	-
Change in assets and liabilities:				
Operating receivables	20,276	(159,774)	(2,553,231)	-
Sales tax receivable	(28,643)	(20,668)	(253,283)	50,722
Inventories	-	-	(455,288)	124,880
Other receivables and assets	-	147,994	660,059	3,264
Accounts payable and other accrued liabilities	(250,653)	(213,244)	(2,507,823)	(876,622)
Landfill postclosure liability	-	204,057	204,057	-
Escrow and other deposits	-	-	32,936	-
Earned vacation pay and other payroll liabilities	2,981	5,295	423,853	39,395
Increase (decrease) in deferred outflows of resources for pensions	(104,756)	(562,375)	(2,919,389)	(228,809)
Unearned revenue	-	-	(264,868)	-
Total adjustments	3,268,225	219,402	42,972,427	11,696,613
Net cash provided by (used in) operating activities	$ 6,811,972	$ (5,177,220)	$ 93,484,110	$ 14,299,168
Noncash investing, capital, and financing activities:				
Capital contributions from annexations and mergers	$ -	$ -	$ 4,199,530	$ -
Capital contributions from grant and assessment receivables	$ -	$ -	$ 10,990,809	$ -
Restatement of net position, GASB 68	$ 291,354	$ 1,564,108	$ 8,119,562	$ 636,377
Acquisition and construction of capital assets	$ -	$ -	$ 1,164,410	$ -

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

		Pension Trust Funds
ASSETS		
Cash and cash equivalents	$	83,537,571
Accrued interest receivable		36,359
Due from other funds		-
Total assets		83,573,930
LIABILITIES		
Claims payable		957,834
Accounts payable		1,803
Total liabilities		959,637
NET POSITION		
Held in trust for employees' retirement and other post-employment benefits	$	82,614,293

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2015

		Pension Trust Funds
ADDITIONS		
Employer contributions	$	20,305,695
Retiree contributions		2,089,675
Interest		3,872,699
Net increase (decrease) in the fair value of investments		(2,058,256)
Recovery of claims		155,542
Less investment expense		(77,057)
Total additions		24,288,298
DEDUCTIONS		
Benefits		19,128,544
Withdrawals and forfeitures		106,961
Professional services		25,149
Total deductions		19,260,654
Change in net position restricted for:		
Employees' retirement and other post-employment benefits		5,027,644
Net position, beginning of year		77,586,649
Net position, end of year	$	82,614,293

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting entity

The City of Raleigh (the "City") is a municipal corporation established in 1792 by the North Carolina General Assembly. The City operates under a council-manager form of government with a mayor and seven Council Members comprising the governing body.

The accounting policies of the City of Raleigh conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America. All applicable GASB statements have been implemented. The accompanying financial statements present the government and its component unit, a legally separate entity for which the City is financially accountable.

The financial statements of the following organization are included in this report as a blended component unit:

Blended Component Unit. Walnut Creek Financing Assistance Corporation (WCFAC). The WCFAC is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the WCFAC is reported as if it were part of the primary government because its main purpose is to issue certificates of participation for the City. Financial transactions of the WCFAC are audited and reported through the City's annual audit. No separate financial statements are prepared.

B. Government-wide and fund financial statements

Government-Wide Statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its blended component unit. 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 nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or activity. Indirect expense allocations are not shown on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues to be available if they are collected within 90 days after year-end, except for property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to earned vacation pay and claims and judgments, are recorded only when payment is due.

Sales taxes collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City because the tax is levied by Wake County and then remitted to and distributed by the State. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

The City reports the following major governmental fund:

General fund – The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in other funds.

The City reports the following major enterprise funds:

Water and sewer fund – The water and sewer fund accounts for the user charges, fees, other resources and all costs associated with the operation of the water and sewer systems of the City.

Convention center fund – The convention center complex fund accounts for the user charges, fees, other resources and all costs associated with the operation of the convention center and performing arts center facilities of the City.

Mass transit fund – The mass transit fund accounts for the user charges, fees, federal contributions and all operating costs associated with the operation of the transit system in the City.

Stormwater fund – The stormwater fund is established to account for revenues and expenses related to stormwater management.

Parking fund – The parking facilities fund accounts for the parking fee charges and all costs associated with the operation of all parking decks and lots owned by the City.

Solid waste services fund – The solid waste services fund accounts for the revenues and expenses related to the operation of the City's residential garbage collection and recycling programs.

Additionally, the City reports the following fund types:

Internal service funds - Account for employees' health benefits, equipment replacement, risk management services, and vehicle fleet services provided to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary funds - The pension trust funds account for the City's contributions to a supplemental money purchase pension plan fund, the law enforcement officers' special separation allowance fund, and other post-employment benefits.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other City functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Management of the City has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

D. Assets, liabilities, deferred outflows/inflows of resources and net position or equity

1. Deposits and investments

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. All deposits are made in City Council designated official depositories and are secured as required by State law (G.S. 159-30(c)). The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

The City's investments 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. In accordance with State law, the City has a portion of its investments in callable securities, some of which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

City ad valorem taxes are billed by the Wake County Revenue Collector after July 1 of each year based upon the assessed value on property, other than motor vehicles, listed as of the prior January 1 lien date. In accordance with state law, property taxes on certain registered motor vehicles are assessed and collected throughout the year based on a staggered registration system. Wake County is responsible for the monthly billing and collections of City property taxes due on registered motor vehicles. Under the staggered registration system, property taxes become due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due.

The City Council is required to approve the tax levy no later than August 1, although this traditionally occurs in the month of June. Taxes are due on September 1 but do not begin to accrue penalties for nonpayment until the following January 5. Collections of City taxes are made by the County and are remitted to the City as collected.

Ad valorem taxes receivable at year-end are not considered to be available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to recognition as earned revenue. The amount of the recorded receivable for ad valorem taxes has been reduced by an allowance for uncollectible accounts and the net receivable is offset by unavailable revenue in an equal amount.

Other accounts receivable which are reported in governmental funds and which represent amounts considered measurable and available are recorded as revenue but, based on state law, are restricted in fund balance at year-end.

Any other accounts receivable which represent amounts not subject to accrual as earned revenue are recorded as assets and are offset by unavailable revenue in an equal amount. Assessments receivable have been reduced by an amount deemed to be uncollectible.

The amounts due from other governmental agencies are grants and participation agreements which are restricted for specific programs and capital projects. Program grants, primarily accounted for in the special revenue funds, are recognized as receivables and revenue in the period benefited, i.e., at the time reimbursable program costs are incurred.

Capital project grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

3. *Inventories, prepaid items and assets held for resale*

Inventories in the governmental, enterprise and internal service funds consist primarily of expendable supplies held for consumption. Inventories are recorded as an expenditure at the time an item is used and are carried at cost, using the first-in, first-out (FIFO) method.

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

Assets held for resale in the amount of $11,625,378 as of June 30, 2015, can be found on the combining balance sheet for capital project funds as well as the government wide statement of net position and represents property that was repurchased during 2013-14 which is currently being held for resale.

4. *Restricted assets*

Certain proceeds of the City's enterprise fund revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. *Capital assets*

Capital assets, which include property, plant, equipment, software, and infrastructure assets, (e.g. streets, sidewalks, water and sewer delivery systems and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All infrastructure acquired before July 1, 2001 (date of implementation of GASB 34) has been recorded by the City at historical cost if purchased or constructed or at fair market value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City for business-type activities during the fiscal year was $41,297,252. Of this amount, $6,640,764 was included as part of the cost of capital assets under construction in connection with water and sewer projects.

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

Assets	Years
Buildings and machinery	40
Water and sewer systems	50
Streets and sidewalks	25
Major improvements	20
Software	20
Buses	10
Furniture & fixtures	5
Equipment	5-10

6. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion, unamortized bond refunding charges, contributions made to the pension plan in the 2015 fiscal year and an accumulated decrease in the fair value of hedging derivatives for the City's interest rate swap agreements.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has multiple items that meet the criterion for this category - prepaid taxes, loans receivable, assessments and property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

7. Earned vacation pay

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, 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 bond premium or discount.

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

9. Net position/fund balances

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.

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 balance as follows:

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

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

Assets held for resale – portion of fund balance that is not an available resource because it represents property that is available for sale, which is not a spendable resource.

Loans receivable - portion of fund balance that is not an available resource because it represents revolving loans receivable due to the City, 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.

Restricted for stabilization by state statute - portion of fund balance restricted by State Statute [G.S.15-98(a)].

Restricted for debt service – portion of fund balance that must be used to pay City obligations.

Restricted for federal program reserves – portion of fund balance that is restricted by revenue source for federal programs.

Restricted for streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.

Restricted for public safety – portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures.

Assigned Fund Balance – portion of fund balance that the City of Raleigh intends to use for specific purposes. The City of Raleigh City Council has designated the City Manager as the delegated Official that can "assign" portions of fund balance per the City of Raleigh's fund balance goal policy.

Subsequent year's appropriation – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; all budget amendments regardless of amount must be submitted to the City council for approval.

Assigned for community development – portion of fund balance the City intends to use for community development across the City.

Assigned for City projects – portion of fund balance that the City intends to use for specific projects.

Assigned for disaster recovery – portion of fund balance that the City intends to use for disaster recovery efforts.

Assigned for debt service – portion of fund balance that the City intends to use for future debt service payments.

Assigned for parks and recreation – portion of fund balance that the City intends to use for specific parks and recreation programs.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

The City of Raleigh has also adopted a minimum fund balance policy for the general fund which instructs management to conduct business of the City in such a manner that available fund balance is at least equal to or greater that 14% of next years budgeted expenditures. Any portion of the general fund balance in excess of 14% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the City in a future budget.

10. Pensions

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

11. Interest rate swap

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. The interest rate swaps are reported in the net position statements for government-wide and proprietary funds at fair market value.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

As required by the North Carolina Budget and Fiscal Control Act, the City adopts balanced budget ordinances for all funds except the trust funds which are not budgeted. The budgets shown in the financial statements reflect amounts adopted by the budget ordinances as amended and approved at the close of the day on June 30, 2014. The City adopts annual budgets prepared on the modified accrual basis for the general fund, the enterprise operating funds and the convention center financing fund. All other funds including all capital project funds and the remaining grant funds adopt project budgets.

Appropriations for funds with annual budgets lapse at the end of the budget year. Capital and grant project budget appropriations do not lapse until the completion of the project or grant. The City Council may amend the budget throughout the year for new projects or other changes to existing appropriations as are needed.

At June 30, 2015, the effect of such amendments, less eliminating transfers, was as follows:

	Original Budget	Total Amendments	Budget
General Fund	$ 420,847,694	$ 5,990,657	$ 426,838,351
Special Revenue Funds	64,264,253	5,470,337	69,734,590
General Capital Projects Funds	388,457,000	111,080,060	499,537,060
Enterprise Funds	662,668,078	17,578,757	680,246,835
Internal Service Funds	100,284,702	10,350,047	110,634,749

The appropriated budget is prepared by fund, function, and department. Appropriations are adopted at the Fund level with the exception of the General fund which is adopted at the department level and the Public Utilities Fund which is adopted at the function level. The City Manager is authorized to transfer budget amounts within a fund up to $50,000. Transfers greater than $50,000, all transfers between funds, and all amendments increasing total budgeted expenditures require City Council approval.

B. Deficit net position

There are no funds which report a deficit net position as of June 30, 2015.

Note 3. Detailed Notes on All Funds

A. Deposits and investments

Deposits. All of the City's deposits are either insured or collateralized by the Pooling Method. Under the Pooling Method, a collateral pool, all insured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agent in the City's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. The City relies on the State Treasurer to monitor these financial institutions. It is the City’s policy to utilize only the pooling method of collateralization. The City complies with the provisions of G.S. 159-31 when designating official depositories and verifying that the deposits are properly secured.

At June 30, 2015, the City's bank balance in operating accounts was $74,081,338 and the carrying amount of the City's deposits was $61,731,609. The difference represents reconciling items such as deposits and payments in transit. Of the bank balance, $258,087 was covered by federal depository insurance and $73,823,251 was covered by collateral held under the Pooling Method.

Investments. At June 30, 2015, the City had the following investments and maturities:

Investment Type	Fair Value	%	< 1 Year	1- 3 Years	>3 - 5 Years	> 5 Years
US Government Treasuries	57,376,614	9.2	26,641,910	18,415,195	11,927,063	392,446
Federal Home Loan Bank	228,177,210	36.6	100,236,248	113,686,562	14,254,400	-
Freddie Mac	61,862,711	9.9	49,385,320	12,477,391	-	-
Fannie Mae	79,426,999	12.8	17,646,282	14,177,038	47,545,952	57,727
Federal Farm Credit Bank	119,348,883	19.1	45,109,948	74,238,935	-	-
Bank certificates of deposit	14,084,538	2.3	14,084,538	-	-	-
NCCMT - Cash Portfolio	4,717,520	0.8	4,717,520	-	-	-
NC Municipal Bonds	16,905,739	2.7	2,020,000	8,212,975	4,774,380	1,898,384
Other investments	40,971,544	6.6	35,807,714	1,058,117	2,992,737	1,112,976
Total City-wide investments	$ 622,871,758	100%	$ 295,649,480	$ 242,266,213	$ 81,494,532	$ 3,461,533

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits direct investment of operating funds to securities maturing no more than five years from the date of purchase. Investments shown with a maturity date greater than five years are pursuant to N.C.G.S 147-69.2 and represent accounts holding the City's capital reserves, risk reserve funds, and Law Enforcement Officer's special separation allowance fund. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates to meet the operating requirements of each individual fund and cash flow requirements of the city's overall operations. Reserve funds invested by external asset managers are not required to meet liquidity needs within the short-term and may have maturities generally consistent with benchmark indices established to monitor performance of the asset managers.

Credit Risk. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The City limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City currently holds investments with long-term credit ratings as follows:

	Long-term Credit Ratings		
Bank	S & P	Moody's	Fitch
Bank of North Carolina (certificates of deposit)	N/A	NA	N/A
NCCMT - Cash Portfolio	AAAm	N/A	N/A
US Agencies	AA+	Aaa	AAA

Concentration of Credit Risk. The City's investment policy does not restrict the level of investment in federal agencies, but it restricts investment in commercial paper or bankers' acceptances of a single issuer to no more than 5.0% of the total investment portfolio. As of June 30, 2015, there are no investments in Commercial paper within the City's investment portfolio.

Fiduciary funds are reported on a stand-alone basis and are not presented in the government-wide statement of net position.

A summary of cash and investments at June 30, 2015 is as follows:

	Government-wide	Fiduciary	Total
Petty cash and change funds	$ 17,405	$ -	$ 17,405
Deposits (checking, money market)	82,142,258	-	82,142,258
Fiduciary cash	-	80,202,834	80,202,834
Investments	619,537,021	3,334,737	622,871,758
Total cash and cash equivalents	701,696,684	83,537,571	785,234,255
Restricted deposits and bond proceeds	242,003,665	-	242,003,665
Total cash	$ 943,700,349	$ 83,537,571	$ 1,027,237,920

Investment results shown in the financial statements are a combination of actual interest received, realized gains and losses on current year activity, and unrealized gains and losses as of the balance sheet date.

The cash deficit reported in the mass transit fund, an enterprise fund, represents amounts owed to the mass transit fund from other government agencies which are reported as a receivable in the fund due to the nature of grant drawdowns occurring after spending has taken place.

B. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows (stated in thousands):

	June 30, 2014	Additions	Transfers	Deletions	June 30, 2015
Governmental activities					
Capital assets, not being depreciated:					
Land	$ 149,498	$ 340	$ -	$ -	$ 149,838
Construction in progress	259,295	115,683	(27,754)	(28)	347,196
Total capital assets, not being depreciated	408,793	116,023	(27,754)	(28)	497,034
Capital assets, being depreciated:					
Buildings and machinery	114,573	29	-	-	114,602
Streets and sidewalks	712,351	4,443	1,897	-	718,691
Equipment	92,895	11,691	1,026	(2,849)	102,763
Furniture and fixtures	2,225	53	-	-	2,278
Improvements - general and parks	211,075	257	24,632	-	235,964
Software	43,210	-	199	-	43,409
Total capital assets being depreciated	1,176,329	16,473	27,754	(2,849)	1,217,707
Less accumulated depreciation for:					
Buildings and machinery	54,313	2,697	-	-	57,010
Streets and sidewalks	422,953	23,232	-	-	446,185
Equipment	72,689	7,461	-	(2,831)	77,319
Furniture and fixtures	2,157	36	-	-	2,193
Improvements - general and parks	111,137	10,208	-	-	121,345
Software	9,619	2,147	-	-	11,766
Total accumulated depreciation	672,868	45,781	-	(2,831)	715,818
Total capital assets being depreciated, net	503,461	(29,308)	27,754	(18)	501,889
Governmental activities capital assets, net	$ 912,254	$ 86,715	$ -	$ (46)	$ 998,923

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	$ 2,815
Community development	9
Public works	25,540
Public safety	1,995
Leisure services	9,186
Capital assets held by certain internal service funds are charged to the various governmental functions based on the usage of the assets	6,236
Total depreciation expense - governmental activities	$ 45,781

Annexations: The amount reported as additions for street and sidewalks includes $4,419,276 from annexations during fiscal year 2014-15.

	June 30, 2014	Additions	Transfers	Deletions	June 30, 2015
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 81,181	$ -	$ -	$ -	$ 81,181
Construction in progress	296,384	68,631	(48,868)	(69)	316,078
Watershed protection rights	4,756	-	-	-	4,756
Total capital assets, not being depreciated	382,321	68,631	(48,868)	(69)	402,015
Capital assets, being depreciated:					
Buildings and machinery	403,016	-	-	-	403,016
Streets and sidewalks	1,746	-	-	-	1,746
Water and sewer systems	1,139,321	4,280	33,769	-	1,177,370
Parking decks	146,225	-	-	(67)	146,158
Buses	29,248	9,256	-	(1,941)	36,563
Equipment	80,663	7,550	-	(4,286)	83,927
Furniture and fixtures	2,808	-	-	-	2,808
Improvements	172,732	1,442	15,099	-	189,273
Total capital assets being depreciated	1,975,759	22,528	48,868	(6,294)	2,040,861
Less accumulated depreciation for:					
Buildings and machinery	91,964	9,805	-	-	101,769
Streets and sidewalks	868	70	-	-	938
Water and sewer systems	329,320	24,416	-	-	353,736
Parking decks	35,821	3,607	-	(10)	39,418
Buses	20,970	2,722	-	(1,941)	21,751
Equipment	59,195	5,879	-	(4,310)	60,764
Furniture and fixtures	2,725	38	-	-	2,763
Improvements	67,828	9,100	-	-	76,928
Total accumulated depreciation	608,691	55,637	-	(6,261)	658,067
Total capital assets being depreciated, net	1,367,068	(33,109)	48,868	(33)	1,382,794
Business-type activities capital assets, net	$ 1,749,389	$ 35,522	$ -	$ (102)	$ 1,784,809

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water/Sewer	$ 33,226
Convention center	8,138
Parking	3,618
Mass Transit	3,720
Stormwater	1,500
Solid Waste Services	759
Capital assets held by certain internal service funds are charged to the various business-type activities based on the usage of the assets	4,676
Total depreciation expense - business-type activities	$ 55,637

Annexations: The amount reported as additions for water and sewer systems includes $4,199,530 added from annexations during fiscal year 2014-15.

Commitments - construction projects. At June 30, 2015, the City has $158,411,955 in project obligations for business-type activities for construction projects in progress as follows: $132,720,913 for water and sewer projects, $788,583 for transit projects, $12,246,918 for stormwater projects, $12,030,312 for convention center projects and $625,229 for parking garage projects. These obligations are fully budgeted and are being financed primarily by state loans, general obligation bond proceeds, revenue bond proceeds, federal grants, storm water fees and certificates of participation.

In addition, the City has $204,559,353 in general government project obligations at June 30, 2015. These obligations relate to construction in progress projects for street construction, redevelopment projects and community center and park construction, and other major public facilities. These projects are fully budgeted and the funding for these governmental projects is indicated through designations of fund balance at June 30, 2015.

C. Unavailable revenue and unearned revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with inflows of resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	General	Nonmajor Governmental	Total
Amounts arising from cash:			
Police informant account	$ 122,124	$ -	$ 122,124
Cemetery cash account	8,087	-	8,087
Cafeteria plan cash	192,590	-	192,590
Prepaid taxes and assessments	120,638	7,426	128,064
Unearned revenue	24,200	4,416,537	4,440,737
	467,639	4,423,963	4,891,602
Amounts not arising from cash:			
Taxes receivable	485,056	-	485,056
Assessments receivable	385,848	375,443	761,291
	870,904	375,443	1,246,347
Total	$ 1,338,543	$ 4,799,406	$ 6,137,949

D. *Interfund receivables, payables, and transfers*

Interfund balances result from timing differences between dates (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. These balances routinely clear out each month or prior to year-end.

The composition of interfund balances as of June 30, 2015, is as follows:

Receivable Fund	Payable Fund		Amount
General fund	Nonmajor governmental funds	$	5,796,036
	Convention center fund		339,477
Nonmajor governmental funds	General fund		414,194
Convention center fund	Nonmajor governmental funds		5,746
Water & sewer utility fund	Stormwater utility fund		101,738
Internal service funds	Internal service funds		34,306
	Total	$	6,691,497

The largest component of receivables in the general fund represents interfund loans with nonmajor governmental funds of $3,993,983. Additionally, cash deficits were covered by the general fund and reclassified from the following nonmajor governmental funds; community development $389,288, and grants fund $1,412,765. This reclassification occurs due to the nature of grant drawdowns occurring after spending has taken place The general fund also has $339,477 in amounts due from a proprietary fund; the Convention Center fund. The $414,194 shown as a receivable in nonmajor governmental funds represents $391,098 owed to the Walnut Creek amphitheater capital project fund, $9,308 owed to the grants and community development funds and $13,788 owed to the emergency telephone fund. The Convention Center receivable represents the $5,746 represents amounts owed from the Convention Center financing fund. The Water and Sewer Utility receivable for $101,738 is due from the Stormwater utility fund. The $34,306 receivable and payable between internal service funds is for the reallocation of surplus sale proceeds.

A summary of interfund transfers for the fiscal year ended June 30, 2015 is as follows:

Funds	General fund	Nonmajor governmental	Water and sewer	Solid waste services	Parking	Convention center	Mass transit	Storm-water	Internal service	Total Transfers Out
General fund	$ -	$ 21,696,375	$ -	$ 11,628,083	$ 500,000	$ 1,926,756	$ 18,570,271	$ -	$ 1,540,000	55,861,485
Nonmajor governmental	8,099,000	-	146,123	-	-	22,129,746	1,641,561	-	-	32,016,430
Water and sewer	-	1,884,406	-	-	-	-	-	29,476	-	1,913,882
Solid waste services	-	292,551	-	-	-	-	-	-	-	292,551
Parking	-	14,369	-	-	-	-	-	-	140,000	154,369
Convention center	164,946	133,435	-	-	-	-	-	-	-	298,381
Mass transit	-	65,351	-	-	-	-	-	-	-	65,351
Stormwater	-	174,755	-	-	-	-	-	-	-	174,755
Internal service	3,315,000	75,849	1,050,000	-	-	81,000	-	54,000	-	4,575,849
Total Transfers In	$ 11,578,946	$ 24,337,091	$ 1,196,123	$ 11,628,083	$ 500,000	$ 24,137,502	$ 20,211,832	$ 83,476	$ 1,680,000	$ 95,353,053

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

The transfer made internally in the general fund between its operating and debt service components was $46,562,000. This transfer was eliminated as part of the consolidation of the general fund as reported in the basic financial statements.

E. Operating leases

During fiscal year 2014-15 total rental payments on noncancelable operating leases was $6,704,699. The following is a schedule by years of minimum future rentals on noncancelable operating leases as of June 30, 2015:

Fiscal Year Ending June 30	
2016	$ 5,517,429
2017	4,353,907
2018	2,173,041
2019	1,447,306
2020	931,436
2021 and beyond	665,256
	$ 15,088,375

F. *Long-term obligations*

1. *General obligation bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to finance the City's non-capital related affordable housing program (Housing General Obligation Bonds). General obligation bonds have been issued for both the governmental and business-type activities. The bonds are direct obligations and pledge the full faith and credit of the City. The utility related issues are expected to be repaid with user charges and the remaining bonds are expected to be repaid with general fund revenues. Interest on the bonds is payable semi-annually.

General obligation bonds outstanding at June 30, 2015 are as follows:

Purpose	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2015
Governmental Activities					
Housing-Series 1996	5.75%	6/1/1996	6/1/2016	$ 2,280,000	$ 115,000
Public Improvement Refunding -					
Series 2004A	3.00% to 3.25%	3/1/2004	4/1/2016	17,338,150	1,571,272
Housing, Series, 2004B	4.375%	3/1/2004	4/1/2017	7,000,000	1,405,000
Housing Series 2007 Taxable	5.20% to 5.40%	3/1/2007	3/1/2027	7,000,000	4,200,000
Public Improvement, Series 2009A	2.25% to 4.25%	3/10/2009	2/1/2029	11,130,000	7,800,000
Public Improvement Refunding -					
Series 2009B	2.50%	3/11/2009	2/1/2017	13,778,981	2,102,476
Housing, Series 2009C - Taxable	3.70% to 5.50%	3/11/2009	2/1/2029	10,000,000	7,000,000
GO Refunding, Series 2009D	4.00% to 5.00%	7/28/2009	12/1/2020	33,640,000	23,945,000
GO Refunding, Series 2009E	4.00% to 5.00%	7/28/2009	12/1/2018	14,180,000	14,180,000
Public Improvement, Series 2009F	4.00% to 5.00%	9/3/2009	2/1/2029	57,665,000	46,165,000
Housing, Series 2009G	4.00% to 5.30%	9/3/2009	2/1/2030	10,000,000	7,500,000
GO Refunding, Series 2011A	2.50% to 5.00%	10/27/2011	9/1/2022	32,055,000	32,055,000
GO Refunding, Series 2011B	1.15% to 1.50%	10/27/2011	9/1/2015	1,870,000	450,000
Public Improvement, Series 2012A	3.00% to 5.00%	5/15/2012	4/1/2032	9,000,000	8,100,000
Public Improvement, Series 2012B	3.00% to 5.00%	5/16/2012	4/1/2032	138,600,000	124,500,000
Public Improvement, Series 2014	3.00% to 3.25%	6/26/2014	6/1/2032	15,000,000	14,300,000
Street Improvement, Series 2015A	3.00% to 5.00%	6/24/2015	6/1/2034	5,050,000	5,050,000
GO Bonds, Series 2015B	3.00% to 5.00%	6/25/2015	6/1/2034	20,000,000	20,000,000
Housing Bonds, Series 2015C - Taxable	3.00% to 4.00%	6/25/2015	6/1/2034	10,000,000	10,000,000
Total Governmental Activities					$ 330,438,748

During fiscal year 2014-15 the City issued $30,050,000 of general obligation bonds. The issuance consisted of $5,050,000 for streets, $20,000,000 for parks and $10,000,000 of taxable bonds for housing. These bonds mature serially over 20 years, and carry fixed coupon rates of 3.0% to 5.0%.

General obligation bonds outstanding at June 30, 2015:

Purpose	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2015
Business-type Activities					
Water and Sewer:					
Water Refunding, Series 2004A	3.00% to 3.25%	3/1/2004	4/1/2016	$ 6,187,620	$ 560,753
Sanitary Sewer Refunding - Series 2004A	3.00% to 3.25%	3/1/2004	4/1/2016	3,674,230	332,978
Sanitary Sewer Refunding - Series 2009B	2.25% to 2.50%	3/11/2009	2/1/2017	1,305,737	199,237
Water and Sewer Total					1,092,968
Parking Facilities:					
Parking Facilities Refunding–Series 2009B	2.25% to 2.50%	3/11/2009	2/1/2017	4,445,282	678,287
Parking Facilities Total					678,287
Total Business-type Activities					$ 1,771,255

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

Fiscal Year	Governmental Activities		Business-type Activities	
Ending June 30	Principal	Interest	Principal	Interest
2016	$ 22,419,502	$ 13,750,833	$ 1,385,498	$ 50,984
2017	22,189,246	12,851,025	385,757	9,644
2018	22,505,000	11,803,400	-	-
2019	22,820,000	10,746,913	-	-
2020	22,820,000	9,676,613	-	-
2021-2025	101,620,000	34,542,525	-	-
2026-2030	88,565,000	14,774,688	-	-
2031-2034	27,500,000	1,733,813	-	-
	$ 330,438,748	$ 109,879,810	$ 1,771,255	$ 60,628

Status of Bond Authorizations. The following represent continuing authorization of general obligation bonds, which were unsold at June 30, 2015:

October 11, 2011		
Housing	$	6,000,000
Transportation		20,000,000
		26,000,000
October 8, 2013		
Transportation		75,000,000
November 4, 2014		
Parks and Recreation		71,775,000
Total	$	172,775,000

2. *Defeased debt and refundings*

During fiscal year 2014-15, the City issued $21,370,000 of limited obligation refunding bonds to generate resources for future debt service payments on $23,410,000 of Series 2005A parking certificates of participation. The reacquisition price exceeded the net carrying amount of the old debt by $442,798. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 20 years by $4,904,265 and resulted in an economic gain of $3,339,285.

During fiscal year 2014-15, the City issued $47,815,000 of revenue refunding bonds to generate resources for future debt service payments on $47,835,000 of series 2006A water and sewer revenue bonds. The reacquisition price exceeded the net carrying amount of the old debt by $311,971. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The advance refunding was undertaken to reduce total debt service payments over the next 20 years by $10,069,133 and resulted in an economic gain of $6,975,603.

Subsequent to year-end, the City intends to issue $49,860,000 of revenue refunding bonds to generate resources for future debt service payments on $56,755,000 of series 2006B water and sewer revenue bonds. Delivery of these refunding bonds will occur in December 2015.

In prior years, the City has defeased various other bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2015, the amount of defeased debt outstanding was $218,890,000 for non-general obligation.

3. *Revenue bonds*

The City also issues revenue bonds to fund various water and sewer utility capital projects. The bonds are payable serially over the next 30 years and have stated interest rates between 0.65% and 5.0% and one variable rate issue at 4.163% at June 30, 2015.

The City has pledged water and sewer customer revenues, net of specified operating expenses, to repay $646,425,000 in water and sewer system revenue bonds. This pledge relates to all water and sewer revenue bonds outstanding, issued for the purpose of making water and sewer system improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2043. Annual debt service requirements for 2014-15 were 24.5% of gross utility revenue and are expected to remain in this range.

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Interest
2016	$ 22,155,000	$ 28,343,475
2017	23,150,000	27,467,525
2018	24,035,000	26,590,448
2019	24,960,000	25,656,350
2020	26,000,000	24,687,938
2021-2025	138,005,000	106,193,129
2026-2030	152,045,000	73,839,184
2031-2035	160,330,000	36,859,676
2036-2040	64,320,000	10,259,194
2041-2043	11,425,000	1,161,000
	$ 646,425,000	$ 361,057,919

A trust agreement, dated December 1, 1996 and amended by the First Amendatory Trust Agreement, dated as of April 15, 2004, authorizes and secures all outstanding revenue bonds. Certain financial covenants are contained in the trust agreement, controlled by the trustee, including the requirement that the City maintain a long-term debt service coverage ratio on all utility debt of not less than 1.00. The City was in compliance with all such covenants during the fiscal year ended June 30, 2015.

The debt service coverage ratio for the fiscal year end is as follows:

Operating revenues	$ 212,640,061
Operating expenses	(123,816,785)
Operating income	88,823,276
Nonoperating revenues	8,091,760
Nonoperating expenses	(25,737,756)
Change in net position	71,177,280
Allowable revenue adjustments for calculation	(5,734,257)
Allowable expense adjustments for calculation	59,828,820
Income available for debt service	$ 125,271,843
Debt service, principal and interest paid on revenue bonds and certain state loans (Parity)	$ 46,718,053
Debt service coverage ratio	2.68

4. *Other long-term obligations*

Other long-term obligations include reimbursement contracts, capital lease obligations, certificates of participation, installment financing agreements, limited obligation bonds, earned vacation pay and landfill closure and postclosure costs. The total amount to be paid in the future periods including interest on certificates, installment financing agreements and other installment obligations is $902,962,503.

Installment Financing Agreements. The City has previously issued $243,425,000 in variable rate certificates of participation to finance the construction of the convention center.

This debt was sold by the Walnut Creek Financing Assistance Corporation, a blended component unit of the City, whose main purpose is to issue certificates of participation for the City. The City has remarketing and standby purchase agreements with banks related to the variable rate certificates. Under these agreements, the banks will remarket any certificates for which payment is demanded. If the certificates cannot be remarketed, the banks will purchase the certificates. Interest rates may change pursuant to the terms of the debt agreements based on market conditions. The interest rates, per the remarketing agreements, cannot exceed 12.0%. The maximum interest, which cannot exceed 12.0%, required for these variable rate certificates through maturity would be $334,225,600. The following schedule shows the expiration dates, which can be renewed, fees paid in fiscal year 2014-15 pursuant to the terms of the debt agreements, and the interest rate at year-end for these issues.

Issue	Balance June 30, 2015	Agreement Expiration	Fees Paid FY 2015	Interest Rate June 30, 2015
2004A	$ 55,000,000	January 5, 2016	$ 225,622	0.04 %
2005B	$ 181,065,000	December 26, 2017	$ 805,995	0.04 %

During fiscal year 2014-15, the City drew down $3,730,104 in debt proceeds from a PNC Drawdown Program for improvements to the Duke Energy Center for the Performing Arts. This installment financing program was initiated in May 2013 and operates similar to a credit line in that the City reimburses its capital expenditures by drawing down proceeds. The City owes only what it has drawn to date including prior draws of $2,500,210, and interest is a variable rate which was 0.52% at June 30, 2015. This program has both governmental and business-type activity components, with a total maximum limit of $25,300,000.

The debt service requirements to maturity, for these variable rate installment financing agreements, including the converted fixed rate note, are shown below:

Fiscal Year	Business-type Activities	
Ending June 30	Principal	Interest
2016	$ 13,925,314	$ 9,138,605
2017	8,040,000	8,825,032
2018	8,410,000	8,474,488
2019	8,795,000	8,107,812
2020	9,185,000	7,760,229
2021-2025	52,955,000	32,197,291
2026-2030	66,555,000	19,515,184
2031-2035	74,430,000	5,383,934
	$ 242,295,314	$ 99,402,575

The City has previously entered into installment financing agreements to finance various general governmental capital projects. These debt issues carry fixed interest rates of 5.54% (outdoor amphitheater), 3.0% to 5.25% (downtown improvement projects), 1.76% (enterprise resource planning technology), and 3.0% to 4.25% (parks projects). The City also previously entered into limited obligation bonds that carry fixed coupon interest rates from 3.0% to 5.57%, and one variable rate at 0.16% at June 30, 2015, for the purpose of rehabilitating existing structures and constructing remote operations centers. Principal and interest requirements will be provided by appropriation in the year in which they become due.

During fiscal year 2014-15, the City issued $66,715,000 of limited obligation bonds to finance the construction of the critical public safety center and a fire station. These bonds mature serially over 25 years, and carry fixed coupon rates of 4.25% to 5.0%. Also during fiscal year 2014-15, the City drew down $1,032,846 in debt proceeds from a PNC Drawdown Program for the design of street improvement project. This installment financing program was initiated in May 2013 and operates similar to a credit line in that the City reimburses its capital expenditures by drawing down proceeds. The City owes only what it has drawn to date including prior draws of $6,262,553 and interest is a variable rate which was 0.52% at June 30, 2015. This program has both governmental and business-type activity components, with a total maximum limit of $25,300,000.

Subsequent Debt Issuance. On July 24th, 2015, the City of Raleigh and the State of North Carolina completed the closing process for the City's acquisition of 308 acres of the Dorothea Dix Campus. As such, the City issued $52,000,000 in a private placement installment financing. The loan is to be repaid at a fixed interest rate of 2.18%, with final maturity at July 1, 2025.

Annual maturities are as follows:

Fiscal Year	Governmental Activities	
Ending June 30	Principal	Interest
2016	$ 19,275,693	$ 8,093,159
2017	11,953,295	8,550,083
2018	11,930,571	8,046,173
2019	9,057,814	7,537,424
2020	9,026,074	7,076,414
2021-2025	41,496,370	28,434,278
2026-2030	38,585,068	17,831,617
2031-2035	38,169,490	9,292,533
2036-2040	21,600,000	2,087,353
	$ 201,094,375	$ 96,949,034

The City has previously entered into installment financing agreements to finance various downtown parking facilities. These agreements bear interest at rates ranging from 4.20% to 5.25% with a variable rate component for one agreement, not to exceed 15%, which was 0.25% at June 30, 2015. There are also two variable rate agreements that each had an interest rate of 0.18% at June 30, 2015. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Interest
2016	$ 3,415,000	$ 2,624,074
2017	3,520,000	2,680,337
2018	3,635,000	2,556,509
2019	3,980,000	2,427,372
2020	4,115,000	2,433,931
2021-2025	20,165,000	10,266,045
2026-2030	19,445,000	7,262,675
2031-2035	19,415,000	2,475,275
	$ 77,690,000	$ 32,726,218

The City has previously issued debt associated with the Solid Waste Services function. These include certificates of participation that carry fixed interest rates of 4.0% to 5.0% (solid waste transfer station), limited obligation bonds that carry fixed coupon interest rates from 3.0% to 5.57% and a variable rate of 0.25% (design and construction of remote operations center).

Annual maturities are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Interest
2016	$ 1,304,706	$ 732,961
2017	1,316,706	689,974
2018	1,328,706	637,323
2019	1,342,189	581,867
2020	1,353,926	528,604
2021-2025	7,033,630	1,759,936
2025-2029	3,104,932	277,770
2030-2034	285,506	21,370
	$ 17,070,301	$ 5,229,805

The City has previously issued certificates of participation and master installment financing agreements to fund separate internal service funds for the purchase of rolling stock equipment for governmental and business-type activities. The debt issues carry fixed interest rates ranging from 0.90% to 1.75%. Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due.

Annual maturities are as follows:

Fiscal Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2016	$ 7,230,381	$ 247,021	$ 8,460,405	$ 288,143
2017	5,784,492	190,457	7,511,665	223,431
2018	5,593,027	125,099	7,202,259	141,325
2019	3,083,119	72,774	3,360,180	79,313
2020	3,125,207	31,387	3,404,586	34,207
	$ 24,816,226	$ 666,738	$ 29,939,095	$ 766,419

State Revolving Loans. During the current fiscal year, the City's Water and Sewer Utility enterprise received $18,614,583 in proceeds from state revolving fund loans. These loans carry fixed interest rates of 0.0% to 2.00% and are payable over 20 years. Final amounts for these loans will be determined when the associated projects close. Repayment will begin six months after respective project completion.

The City has previously entered into state revolving loans to finance various water and sewer capital projects. These debt issues carry fixed interest rates of 2.45% to 5.85% (water/sewer system improvements), 2.66% (water improvements to Rolesville merged utilities), and 0.0% (spray irrigation). Principal and interest requirements for these debt issues will be provided by appropriation in the year they become due. The City's participation in the state revolving fund loan program is summarized below:

State Revolving Loans	Interest Rates	Date Issued	Date Series Matures	Amount of Original Issue	Balance Outstanding June 30, 2015
Water and Sewer:					
Crabtree Creek Interceptor-State Bond Loan	5.85%	3/1/1998	5/1/2016	$ 5,000,000	$ 250,000
Neuse River Nitrogen Removal	2.95%	7/31/1998	5/1/2018	7,972,965	1,194,152
Crabtree Creek Interceptor Phase 3	2.60%	1/7/2000	5/1/2020	3,300,000	825,000
Rolesville Projects (F-97-0931)	2.66%	11/14/2005	5/1/2025	2,316,247	1,158,124
Rolesville Projects (F-98-0931)	2.66%	11/14/2005	5/1/2025	683,753	341,876
Spray Irrigation	0.00%	9/1/2010	5/1/2030	625,694	422,035
Crabtree Creek North Bank Interceptor	2.45%	7/5/2011	5/1/2033	11,094,556	8,739,880
Centennial Reuse Pipeline Segment 4	0.00%	5/1/2012	5/1/2033	5,125,312	2,432,036
DE Benton Backwash Waste Facility	0.00%	5/18/2013	5/1/2034	7,075,847	6,655,618
NRWWTP 15MGD Expansion	2.00%	4/18/2013	5/1/2037	27,638,450	14,888,304
Water and Sewer Total					36,907,025
Stormwater:					
Upper Longview Restoration	0.00%	1/16/2013	5/1/2035	2,034,751	1,933,013
Stormwater Total					1,933,013
Total Loan Amount					$ 38,840,038

Annual maturities for Water and Sewer Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Business-type Activities Interest
2016	$ 2,036,771	$ 314,579
2017	1,786,771	279,199
2018	1,786,771	247,256
2019	2,770,643	917,254
2020	2,770,643	720,244
2021-2025	13,028,215	2,926,538
2026-2030	9,921,830	1,877,722
2031-2035	2,805,381	900,675
2036-2034	-	165,831
	$ 36,907,025	$ 8,349,298

The City has previously entered into a state revolving loan program to fund lake and stream enhancements. The loan is to be repaid in annual payments over 20 years at 0% interest.

Annual maturities for the Stormwater Utility are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal
2016	$ 101,738
2017	101,738
2018	101,738
2019	101,738
2020	101,738
2021-2025	508,690
2026-2030	508,690
2031-2035	406,943
	$ 1,933,013

Earned Vacation Pay. At June 30, 2015, earned vacation pay consists of $19,060,377 for governmental activities and $4,443,299 for business-type activities.

Landfill Postclosure Care Costs. State and federal laws and regulations require the City to maintain a final cover over its Wilders Grove landfill site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill was closed for waste disposal on December 31, 1997. During 2013-14 the third party cost estimate was updated for both postclosure costs and the corrective action plan (CAP) costs associated with ground water violations at the landfill identified in 2007-08. The $3,613,177 reported as landfill postclosure liability as of June 30, 2015 includes the CAP report cost estimate as well as the cost to perform the on-going postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to demonstrate financial assurance for postclosure care. The City is in compliance with these requirements, and, demonstrated such by completion of the local government financial assurance test submitted to DENR on November 4, 2013.

5. *Changes in long-term liabilities*

Long-term liability activity for the year ended June 30, 2015 was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
General obligation bonds	$ 316,848,889	$ 35,050,000	$ 21,460,141	$ 330,438,748	$ 22,419,502
Unamortized premiums - GO bonds	26,890,110	8,940,163	2,664,089	33,166,184	2,664,089
Installment financing agreements	157,413,076	82,988,701	14,491,176	225,910,601	26,506,074
Unamortized premiums on IFA	4,811,074	-	254,975	4,556,099	254,975
Earned vacation pay	17,809,358	11,897,663	10,646,644	19,060,377	10,646,644
Claims payable	24,395,044	-	388,744	24,006,300	9,285,166
Total governmental activities	$ 548,167,551	$ 138,876,527	$ 49,905,769	$ 637,138,309	$ 71,776,450
Business-type activities:					
General obligation bonds	$ 3,351,112	$ -	$ 1,579,857	$ 1,771,255	$ 1,385,498
Unamortized premium - GO bonds	115,548	-	46,291	69,257	46,291
Revenue bonds	665,890,000	47,815,000	67,280,000	646,425,000	22,155,000
Unamortized premium - Rev. bonds	43,005,373	2,399,553	4,694,381	40,710,545	2,469,220
Installment financing agreements	388,615,142	60,324,508	43,104,902	405,834,748	29,243,934
Unamortized premiums - IFA	501,236	2,482,798	182,851	2,801,183	182,851
Earned vacation pay	4,009,258	3,112,075	2,678,034	4,443,299	2,678,034
Landfill postclosure	3,409,120	204,057	-	3,613,177	402,250
Claims payable	1,105	-	-	1,105	1,105
Total business-type activities	$ 1,108,897,894	$ 116,337,991	$ 119,566,316	$ 1,105,669,569	$ 58,564,183

There were no current year additions to the noncash related installment financing for governmental activities.

Certain internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year end $324,555 of internal service funds earned vacation pay are included above as part of governmental activities. Also, for the governmental activities, earned vacation pay is generally liquidated by the general fund.

The LGERS plan had a net pension asset of $21,863,612 as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

6. *Arbitrage*

In accordance with Section 148 of the Internal Revenue Code of 1986, as amended, and Sections 1.103-13 to 1.103-15 of the related Treasury Regulations, the City must rebate to the federal government "arbitrage profits" earned on governmental bonds issued after August 31, 1986. Arbitrage profits are the excess of the amount earned on investments over the interest paid on the borrowings. At June 30, 2015, the City had no arbitrage liabilities.

7. *Interest rate swaps*

2005 Swap

The City entered into an interest rate swap agreement for the Downtown Municipal Improvement Projects Series 2005B variable rate certificates of participation effective January 20, 2005. The synthetic fixed rate swap effectively changes these variable rate demand obligations (VRDOs) to the fixed rate of 4.36%.

The certificates of participation and the related swap agreement mature on February 1, 2034. The swap notional amount of $181,065,000 matches the variable rates certificates of participation. Beginning in February 2015, the notional value of the swap and the principal amount of the associated debt started to decline annually. Under the swap agreement, the City pays the counterparty a fixed interest payment semiannually at 4.36% of the notional amount and receives a variable interest payment equivalent to the Bond Market Association Municipal Swap Index (BMA). At June 30, 2015, the swap had a negative fair value to the City of $40,530,781. This mark to market valuation was established by market quotations obtained by the counterparty, representing an estimate of the amount that would be paid for replacement transactions. As of June 30, 2015, 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 becomes positive, the City would be exposed to credit risk in the amount of the derivative's positive fair value. At June 30, 2015, Citibank NA, the counterparty, was rated "A1" by Moody's Investor's Service, "A" by Standard and Poor's Ratings Services, and "A+" by Fitch Ratings. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the date of termination. As rates vary, variable rate bond interest payments and net swap payments will vary. The principal and interest payments shown below are components of the business-type activities demand bond debt service requirements as reported on page 38.

Using rates as of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2005B variable rate certificates, were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2016-2019	$ 32,940,000	$ 338,343	$ 29,165,124	$ 29,503,467
2020-2024	50,580,000	340,443	29,346,144	29,686,587
2025-2029	63,570,000	201,608	17,378,567	17,580,175
2030-2034	33,975,000	60,233	5,192,042	5,252,275
Total	$ 181,065,000	$ 940,627	$ 81,081,877	$ 82,022,504

**Computed using 4.36% less floating rate paid to the City (0.05% at June 30, 2015) times $188,425,000 less accumulated annual reductions.*

2008 Swap

On February 9, 2006, the City entered into forward starting swap transactions with two financial institutions as related to $150,000,000 of water and sewer revenue bonds to be issued in 2008. The City engaged the swap transactions effective June 18, 2008 in conjunction with the issue of variable rate revenue bonds. Under the swap agreements, the City pays the counterparties a fixed interest rate payment at 4.163% of the swap notional amount ($150,000,000) and receives a variable interest rate payment equivalent to the BMA. At June 30, 2015, the swaps had a combined negative fair value to the City of $28,413,443, which mitigates the City's exposure to credit risk. However, should interest rates change and the fair value of swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' positive fair values. At June 30, 2015, Citigroup and Wells Fargo Bank, N.A., the counterparties, were rated "A1"/"Aa2","A"/"AA-" and "A+"/"AA", respectively by Moody's, Standard and Poor's, and Fitch. The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. Termination could result in the City being required to make or being entitled to receive an unanticipated termination payment based on the market value on the termination date. As rates vary, variable rate bond interest payments and net swap payments shown below are components of the business type activities revenue bond debt service requirements as reported on page 37.

Using the rates as of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the term of the 2008 A and B variable rate bonds were as follows:

Fiscal Year Ending June 30	Principal	Variable Rate Interest	Interest Rate Swaps, Net*	Total Interest
2016-2019	$ 17,990,000	$ 249,928	$ 20,559,036	$ 20,808,964
2020-2024	27,415,000	257,445	21,177,426	21,434,871
2025-2029	34,090,000	182,553	15,016,769	15,199,322
2030-2034	42,350,000	89,445	7,357,746	7,447,191
2035	9,630,000	4,815	396,082	400,897
Total	$ 131,475,000	$ 784,186	$ 64,507,059	$ 65,291,245

**Computed using 4.163% less floating rate paid to the City (0.05% at June 30, 2015) times $150,000,000 less accumulated annual reductions.*

G. Restricted assets

Cash, cash equivalents and investments are restricted in the accompanying statements as follows by fund:

	Deposits	Unspent Debt Proceeds
Governmental		
General Fund	$ -	$ 9,143,361
Nonmajor governmental funds	1,535,764	138,182,599
Total governmental	1,535,764	147,325,960
Enterprise		
Water and sewer fund	14,420,703	41,190,523
Convention center fund	289,834	-
Mass transit fund	50,305	-
Stormwater fund	9,287,728	-
Parking Fund	-	84,298
Total enterprise	24,048,570	41,274,821
Internal service funds		
Governmental equipment replacement fund	-	12,783,584
Public utilities equipment replacement fund	-	11,390,788
Solid waste services equipment replacement fund	-	3,644,178
Total internal service fund	-	27,818,550
Total	$ 25,584,334	$ 216,419,331

Note 4. Other Information

A. Risk management and employees' health benefits

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical and dental claims for employees, retirees, and dependents.

The City protects itself from potential loss through a combination of self-insurance programs and the purchase through the private sector of commercial insurance for various primary and excess coverages. There were no significant changes in insurance coverage from the prior year.

City insurance coverage includes workers' compensation, general liability, automobile liability, police liability, automobile comprehensive, real and personal property. For workers' compensation, the City self-insures the first $1,100,000 per occurrence with excess coverage of $10,000,000 per occurrence and employers' liability coverage of $1,000,000 per occurrence and in the aggregate. For liability, the City self-insures the first $1,000,000 per occurrence, with excess coverage of $10,000,000 in the aggregate. For property, the City self-insures the first $100,000 per occurrence, with excess coverage up to the replacement value of $300,000,000 in the aggregate. The excess coverage includes $100,000,000 in the aggregate for loss due to flood and $10,000,000 annual aggregate for flood plain location losses.

The City of Raleigh, in accordance with NC General Statute §159-29, maintains a Public Official Bond on The Chief Financial Officer in the amount of $500,000. In addition, the City purchases a Crime and Fidelity insurance policy for all other employees in the amount of $1,000,000. City taxes are collected by the Wake and Durham County tax collectors. Wake and Durham County tax collectors are endorsed onto the City of Raleigh's Crime and Fidelity insurance policy for their collection of taxes on behalf of the City of Raleigh up to the $1,000,000 coverage limit.

The City provides medical and dental coverage for employees and retirees. Additional premium-based dependent coverage is available at employee expense.

The City, as allowed by GASB Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, uses internal service funds, the risk management fund and the employees' health benefits fund, to account for its risk financing activities. The claims liability total of $24,006,300 reported for these two internal service funds at June 30, 2015, is based upon the requirements of Statement 10, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that 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. Claims liabilities reported include an estimate for claims incurred but not reported. The changes in reported claims liabilities in fiscal years 2014-15 and 2013-15 are as follows:

	2015	2014
Insurance claims payable, beginning of year	$ 24,395,044	$ 25,646,536
Current year claims and changes in estimates	37,225,767	33,610,717
Claim payments	(37,614,511)	(34,862,209)
Insurance claims payable, end of year	$ 24,006,300	$ 24,395,044

Employees' health benefits and risk management current portion of pending claims is $9,285,166.

B. Commitments and contingent liabilities

Commitment - Enterprise Funds. In February 1972, the City entered into a raw water storage contract and joint use construction costs with the U. S. Corps of Engineers for raw water usage of up to 100 million gallons per day from Falls Lake. The City's estimated share of construction cost for the project was estimated at $12,170,000 payable annually over 50 years beginning in 1984. The contract requires that the City pay certain capital and operating costs of the lake which are dependent upon future costs of operation. The City's fiscal year 2014-15 obligation was $677,241. It is estimated, at this time, that the future cost to the City will not exceed $800,000 annually and will be repaid in 2033 with a final payment of $3,453,641.

Contingent Liabilities. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Contingent Liabilities – Facility Fees. The City enters into Thoroughfare Facility Fee Reimbursement contracts that provide developers with contract awards based on the calculated value of the capital contributions to the City. Each contract states minimum amounts that must be paid and recorded as long-term liabilities in the City's entity-wide financial statements. The remaining liability amounts for each contract are paid based on a formula and are contingent on available funds in the facility fee reimbursement account. The total value of the contracts at June 30, 2015 was $14,177,851. Of this amount, $7,148,903 was recorded as a liability, and the remaining $7,028,948 represents a contingent liability.

C. Jointly governed organizations

Raleigh-Durham Airport Authority. The Raleigh-Durham Airport Authority plans and conducts operations of the Raleigh-Durham International Airport. This eight-member governing body is jointly appointed by the City of Durham, City of Raleigh, County of Durham and County of Wake, with each member government appointing two members. The authority selects the management and sets the budget and financing requirements of the airport. Each member government contributes $12,500 annually for administration of the authority. Neither the City nor the other member governments exercise management control or are responsible for budget and financing requirements for the authority. A special airport tax district of Durham and Wake Counties was created to aid in the financing of major airport facilities and is governed by two members each from the respective county boards of commissioners. Because of its limited role in the Raleigh-Durham Airport Authority and the related special tax district, the City does not consider its participation to be a joint venture and, accordingly, further disclosure of the airport entity is not included. The authority does not meet the criteria to be included in the City's financial reporting entity.

Triangle J Council of Governments. The City, in conjunction with three counties and 22 other municipalities are members of the Triangle J Council of Governments. The participating governments established the council to coordinate various regional interests and intergovernmental funding. Each participating government appoints one delegate to the council's governing board. The City paid dues of $121,120 to the council during the fiscal year ended June 30, 2015. The council does not meet the criteria to be included in the City's financial reporting entity.

Related organizations

The Raleigh Housing Authority. The Raleigh Housing Authority assists in providing housing for low income, elderly and disabled residents of the City. The mayor appoints all members of the authority's governing body, but the authority is not otherwise financially accountable to the City. The City has no responsibility in selecting the management of the authority. The primary revenue sources for the authority are federal grants and program revenues. Financial transactions between the City and the authority reflect contractual agreements between the parties for the provision of specific services by the authority for the City.

The City is not responsible for financing any deficits of the authority nor is it entitled to any surplus. In addition, the City does not guarantee any debt of the authority and such debt is not included in determining the City's statutory debt limit.

The Raleigh Historic Districts Commission, Inc. The Raleigh Historic Districts Commission, Inc. was formed in 1993 to exercise jurisdiction for all historic properties and historic overlay districts within Raleigh's city limits and extraterritorial jurisdiction. The commission consists of 12 members appointed by the city council. The City's accountability for the commission does not extend beyond making appointments to the commission. Revenues to support the commission come from private contributions and grants from local and state governments. In the fiscal year ended June 30, 2015 the City appropriated $42,106 to the commission. The not-for-profit organization does not meet the criteria to be included in the City's financial reporting entity.

The Raleigh Parking Deck Associates, Inc. A for-profit corporation established to finance and construct a parking deck is reflected in substance through a capital lease with the City. The corporation does not meet the criteria to be included in the City's financial reporting entity.

Interlocal agreement with Wake County

Pursuant to enabling legislation in 1991, the City of Raleigh and Wake County entered into an interlocal agreement to provide for the funding of various projects and facilities from the proceeds to be realized from the levy of a county-wide room occupancy tax and a prepared food and beverage tax. The proceeds and distributions of the taxes are accounted for in a special revenue fund maintained by the County. The City, by terms of the enabling legislation, is granted specific allocations of the taxes, but has entered into the interlocal agreement requiring joint action of the City and County governing bodies to expend both the City and County allocations.

At June 30, 2015 the balance of the trust maintained by the County was $1,621,723, which is not available to the City except for current and future projects jointly determined by the City and the County. During fiscal year 2014-15, the City received funding as follows: an annual $1,000,000 that the City Council previously dedicated for continuing support of the performing arts and convention center complex; an annual $680,000 to fund visitor-related programs and activities and $22,235,261 to support the financing of the convention center facility. The City will continue to receive $1,000,000 allocations that the City Council may use for any eligible purpose in the original state legislation. In addition, the City will annually receive 85% of all uncommitted interlocal tax funds for debt service and other costs related to the convention center facility.

A tri-party agreement exists between the City of Raleigh, Wake County and the Centennial Authority, a public body created by the State of North Carolina to construct and govern operations of a multi-purpose regional sports and entertainment complex, which opened in October, 1999. Through the interlocal and tri-party agreements, part of the funding for this construction has been provided by the trust. Future receipts from the taxes are committed by the authority for operating support and repayment of the authority's debt.

Joint venture

The Greater Raleigh Convention and Visitors Bureau. The Greater Raleigh Convention and Visitors Bureau promotes and solicits business, conventions, meeting and tourism in Wake County. The bureau receives its primary revenue from a county-wide 6% occupancy tax and is a joint venture of the City of Raleigh and Wake County. The governing body of the bureau is a board of directors appointed by the Raleigh City Council and the Wake County Commissioners. The County is required to distribute monthly a percentage of the tax collected with a minimum aggregate annual distribution of $1,000,000. If tax revenues are not sufficient to fully fund the bureau's minimum annual distributions, the City and County must fund the deficiency equally to ensure that the bureau receives its minimum distribution of $1,000,000 in any fiscal year. There was no additional funding required of the City or County in the year ended June 30, 2015. All unexpended funds of the bureau revert to the County and City at the end of the fiscal year. Except for an investment in capital assets previously recorded by the City, the only equity in the fund at year-end is for encumbrances which will be expensed in the subsequent year. Based on this, no additional equity interest in the bureau is recorded at June 30, 2015. Full financial statements for the bureau can be obtained at the Greater Raleigh Convention and Visitors Bureau, Post Office Box 1879, Raleigh, North Carolina 27602. The bureau does not meet the criteria to be included in the City's financial reporting entity.

D. Employee retirement systems and pension plans

North Carolina Local Government Employees' Retirement System

Plan Description. The City of Raleigh is a participating employer in the statewide Local Government Employees' Retirement System (LGERS); a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System 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 Services Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Raleigh employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Raleigh's contractually required contribution rate for the year ended June 30, 2015, was 7.41% of compensation for law enforcement officers and 7.07% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Raleigh were $14,479,622 for the year ended June 30, 2015.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the City reported an asset of $21,863,612 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the City's proportion was 3.71%, which was a decrease of 0.01% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the City recognized pension expense of $1,171,961. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	2,388,978
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	50,897,977
Changes in proportion and differences between City contributions and proportionate share of contributions	-	793,101
City contributions subsequent to the measurement date	14,479,622	-
Total	14,479,622	54,080,056

$14,479,622 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016.

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

Fiscal Year Ending June 30	Pension deferrals
2016	$ (13,522,008)
2017	(13,522,008)
2018	(13,522,008)
2019	(13,514,032)
	$ (54,080,056)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent inflating and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense including inflation

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate
Fixed Income	36.0%	2.5%
Global equity	40.5%	6.1%
Real estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation protection	4.5%	3.7%
	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1 % Decrease (6.25%)	Discount Rate (7.25%)	Discount Rate (8.25%)
City's proportionate share of the net pension liability (asset)	$ 74,214,526	$ (21,863,612)	$ (102,758,283)

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

Law Enforcement Supplemental Plans

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a section 401(k) 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.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each officers' salary, and all amounts collected are vested immediately. Also, law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were $3,636,585 which consisted of $2,247,676 from the City and $1,388,909 from the law enforcement officers.

Law Enforcement Officers' Special Separation Allowance

Plan Description. The City 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 reported in the City's report as a pension trust fund. A separate stand-alone report is not issued.

The separation allowance has assets which are accumulated in a stand-alone custodial account. However, these assets are not accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Therefore, GASB Statements 67 and 68 do not apply to the City's separation allowance.

All full-time City law enforcement officers are covered by the separation allowance. At December 31, 2014, the separation allowance's membership consisted of:

Retirees and beneficiaries currently receiving benefits	142
Current active employees	742
Total	884

Summary of significant accounting policies:

Basis of Accounting. Financial statements for the 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. The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members.

Method used to Value Investments. The City pools money from several funds, including the law enforcement officers' separation allowance fund. All such pooled cash and investments are considered cash and cash equivalents, which approximates fair value.

Contributions. The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed $3,000,000 or 6.8% 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. Administrative costs of the Separation Allowance plan are financed through investment earnings.

The City's annual pension cost and net pension obligation to the separation allowance for the current year were as follows:

Employer annual required contribution	$	2,666,453
Interest paid on pension obligation		(154,320)
Adjustment to annual required contribution		210,812
Annual pension cost		2,722,945
Employer contributions made for current fiscal year		(3,000,000)
Increase in net pension asset		(277,055)
Net pension (asset) obligation beginning of fiscal year		(3,086,407)
Net pension (asset) obligation end of fiscal year	$	(3,363,462)

Annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 5.0% investment rate of return and (b) projected salary increases ranging from 4.25% to 7.85% per year. Item (b) included an inflation component of 3.00%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 17 years.

The trend information is as follows:

Funding Status:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset End of Year
June 30, 2013	$ 2,433,884	111.5%	$ (2,111,278)
June 30, 2014	2,563,263	138.0%	(3,086,407)
June 30, 2015	2,722,945	110.2%	(3,363,462)

The negative amounts shown above as the net pension obligations represent asset amounts or prepaid expenses. At these year-ends, there was no net pension obligation. Other required supplementary information is included in the required supplemental financial data.

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 10.8% funded. The actuarial accrued liability for benefits was $30,424,139, and the actuarial value of assets was $3,280,188, resulting in an unfunded actuarial accrued liability (UAAL) of $27,143,951. The covered payroll (annual payroll of active employees coved by the plan) was $43,831,182, and the ratio of UAAL to the covered payroll was 61.9%.

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.

Other Post-Employment Benefits (OPEB) Plan

Plan Description. The City administers a public employee retirement system, single employer defined benefit pension plan that provides health insurance, life insurance, and Medicare supplement benefits to eligible retirees. Employees who meet any of the retirement options available through NCLGERS and retire with 15 or more years of service may continue in the City's group health plan until age 65. Medicare eligible retirees receive a Medicare supplement of $100 per month. Dependent health coverage is available until the spouse turns 65. The City's group medical coverage continues with the option of limited or zero cost to the retiree, depending on coverage plan selected, until age 65 for retirees that were hired prior to June 30, 2008.

Retirees that were hired on or after June 30, 2008 will pay a maximum of 50% of the premium cost if they retired with 15 years of service until age 65. The percentage of premium contribution decreases by 5% for each additional year of service at retirement, with retirees that have 25 years of service at retirement able to continue coverage at limited or no cost.

For employees hired before July 1, 2007, spouse / dependent coverage for retirees is provided at the same cost as active members. Employees hired on or after July 1, 2007 will have to pay the entire cost for spouse / dependent coverage as a retiree.

Eligible retirees with a minimum of ten years of service are provided life insurance coverage as follows: for the first five years after retirement coverage is $1,750; after five years of retirement coverage reduces to $1,000. Disabled retirees receive life insurance equal to their salary at the time of disability until age 65. The City Council may amend the benefit provisions at any time. A separate stand-alone report is not issued.

All active full-time employees are eligible for membership. At December 31, 2014, the plan membership consisted of:

Law enforcement officers	742
Firefighters	584
General employees	2,455
Retirees	1,712
Total	5,493

Summary of significant accounting policies:

Funding Policy. The City pays the full cost or almost full cost of coverage, depending on coverage plan selected, for health care and life insurance benefits, and a $100 monthly Medicare supplement for eligible retirees. The City has chosen to fund the plan benefits based on an actuarially determined annual required contribution. For the current year the City contributed $13,952,076 or 7.0% of the annual covered payroll. Contributions made by retirees for dependent coverage and Medicare supplement premiums were $2,089,675.

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

Method used to Value Investments. The City pools money from several funds, including the OPEB trust fund. All such pooled cash and investments are considered cash and cash equivalents, which approximates fair value.

The City's annual pension cost and net OPEB obligation for the current year were as follows:

Employer annual required contribution	$	13,660,387
Interest paid on OPEB obligation		222,961
Adjustment to annual required contribution		(193,856)
Annual OPEB cost		13,689,492
Employer contributions made for current fiscal year		(13,952,076)
Increase in net OPEB obligation		(262,584)
Net OPEB (asset) obligation beginning of fiscal year		3,185,157
Net OPEB (asset) obligation end of fiscal year	$	2,922,573

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return and (b) projected medical cost trend rates of 7.75% to 5.0%, including an inflation component of 3.0%. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as level percentage of pay on a closed basis. The remaining amortization period was 25 years.

The trend information is as follows:

Fiscal Year Ending	Annual Plan Cost (APC)	Percentage of APC Contributed	Net OPEB Obligation End of Year
June 30, 2013	$ 13,276,012	100.1%	$ 2,742,630
June 30, 2014	13,685,448	96.8	3,185,157
June 30, 2015	13,689,492	101.9	2,922,573

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was 16.4% funded. The actuarial accrued liability for benefits was $167,302,907, and the actuarial value of assets was $27,367,097, resulting in an unfunded actuarial accrued liability (UAAL) of $139,935,810. The covered payroll (annual payroll of active employees covered by the plan) was $198,589,085, and the ratio of UAAL to the covered payroll was 70.5%.

The schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Other required supplementary information is included in the required supplementary financial data.

Supplemental Retirement Plan – Section 401a

Plan Description. The City contributes to a Section 401a Money Purchase Pension Plan for the purpose of providing supplemental retirement benefits to general employees. This plan is a defined contribution plan and is reported as a pension trust fund. The City is a trustee of all plan resources. The plan is managed by the City and administered by Branch Banking and Trust Company with investment options being exercised by employees.

Funding Policy. For each eligible employee who contributes a minimum of 1.0% of salary to a Section 457 Supplemental Retirement Plan, the City contributes double this percentage (to a maximum of 3.0%) into the 401a plan. During fiscal year 2014-15, the City contributed $3,353,619 to the plan.

The 2014-15 combining financial statements for the City's pension trust funds are as follows:

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ASSETS				
Cash and cash equivalents	$ 51,101,548	$ 3,073,762	$ 29,362,261	$ 83,537,571
Accrued interest receivable	-	3,410	32,949	36,359
Total assets	51,101,548	3,077,172	29,395,210	83,573,930
LIABILITIES				
Claims payable	-	-	957,834	957,834
Accounts payable	-	-	1,803	1,803
Total liabilities	-	-	959,637	959,637
NET POSITION				
Held in trust for employees' retirement and other post-employment benefits	$ 51,101,548	$ 3,077,172	$ 28,435,573	$ 82,614,293

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

	Supplemental Money Purchase Pension Plan	Law Enforcement Officers' Special Separation Allowance	Other Post Employment Benefits Trust	Total
ADDITIONS				
Employer contributions	$ 3,353,619	$ 3,000,000	$ 13,952,076	$ 20,305,695
Retiree contributions	-	-	2,089,675	2,089,675
Interest	2,294,616	133,543	1,444,540	3,872,699
Net increase (decrease) in the fair value of investments	(432,592)	(124,602)	(1,501,062)	(2,058,256)
Recovery of claims	-	-	155,542	155,542
Less investment expense	(77,057)	-	-	(77,057)
Total additions	5,138,586	3,008,941	16,140,771	24,288,298
DEDUCTIONS				
Benefits	2,389,709	3,034,054	13,704,781	19,128,544
Withdrawals and forfeitures	106,961	-	-	106,961
Professional services	-	-	25,149	25,149
Total deductions	2,496,670	3,034,054	13,729,930	19,260,654
Change in net position restricted for:				
Employees' retirement and other post-employment benefits	2,641,916	(25,113)	2,410,841	5,027,644
Net position, beginning of year	48,459,632	3,102,285	26,024,732	77,586,649
Net position, end of year	$ 51,101,548	$ 3,077,172	$ 28,435,573	$ 82,614,293

E. New pronouncements

The GASB has issued pronouncements which are effective for the fiscal year ended June 30, 2015.

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25." This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. Management has determined that the impacts of this Statement did not have a material effect on the City.

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts and equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2104. Management has determined that the impacts of this Statement did have a material effect on the City.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application of the Statement is encourage. Management has determined that the impacts of this Statement did not have a material effect on the City.

The GASB has issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2013. Management has determined that the impacts of this Statement did not have a material effect on the City.

The GASB has issued Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68." The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The requirements of this Statement are effective for financial statements for fiscal year beginning after June 15, 2014. Management has determined that the impacts of this Statement did have a material effect on the City.

The GASB has issued pronouncements prior to June 30, 2015 which have an effective date that may impact future presentations.

GASB Statement No. 72, "Fair Value Measurement and Application." This Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not with the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68." This Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans." This Statement is effective for periods beginning after June 15, 2016.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." This Statement is effective for periods beginning after June 15, 2017.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." This Statement is effective for periods beginning after June 15, 2015.

Management has not currently determined what impact the implementation of the above statements may have on the financial statements of the City.

F. Subsequent Events

The City has evaluated events through October 28, 2015 in connection with the preparation of these financial statements which is the date the financials were available to be issued.

G. Change in accounting principles/restatement

GASB 68. The City implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by $22,924,921 and $8,119,562, respectively.

Long-term Loans Receivable. The City has adopted new accounting principles, effective July 1, 2014, that it believes are preferable to its previous principles. The City now uses expenditure and revenue contra accounts to eliminate the effect of expenditures and revenues reported for budgetary purposes in conjunction with the issuance of long-term loans receivable in governmental funds and expends loans which are not expected to be collected. Deferred inflows reported under the City's previous accounting principles have been reclassified to an appropriate component of fund balance or reserved, as appropriate. Additionally, the City has determined that it is appropriate to adjust beginning net position for certain loans that are not expected to be repaid in the amount of $7,978,075.

The effects of these changes in accounting principles on fund balance are presented below:

	General Fund	Nonmajor Funds	Total Governmental Activities
Fund balance, as previously reported	$ 226,679,318	$ 238,935,659	$ 465,614,977
Adjustments:			
Total loans deferred	2,100,799	64,906,768	67,007,567
Expenditure of loans not expected to be paid	(1,444,300)	(6,533,775)	(7,978,075)
Net restatement	656,499	58,372,993	59,029,492
Fund balance, as adjusted	$ 227,335,817	$ 297,308,652	$ 524,644,469

APPENDIX D

WOMBLE
CARLYLE
SANDRIDGE
& RICE

A LIMITED LIABILITY PARTNERSHIP

150 Fayetteville Street
Suite 2100
Raleigh, NC 27601

Mailing Address:
Post Office Box 831
Raleigh, NC 27602
Telephone: (919) 755-2100
Fax: (919) 755-2150
Web site: www.wcsr.com

[Proposed Form of Opinion of Bond Counsel]

March _____, 2016

City Council of the
City of Raleigh, North Carolina

We have examined, as bond counsel to the City of Raleigh, North Carolina (the "City"), existing law, certified copies of such legal proceedings and such other proofs as we have deemed necessary to deliver this opinion, relative to $6,000,000 General Obligation Housing Bonds, Series 2016C (Taxable), dated their date of delivery (the "Bonds"), of the City.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to The Local Government Finance Act, Chapter 159, as amended, of the General Statutes of North Carolina.

2. The Bonds constitute valid and binding general obligations of the City, for the payment of the principal of and interest on which all taxable real and tangible personal property within the City is subject to the levy of ad valorem taxes, without limitation as to rate or amount.

3. Interest on the Bonds is <u>not</u> excluded from the gross income of the owners thereof for federal income tax purposes.

4. Interest on the Bonds is exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX E

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

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

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

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

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

APPENDIX F

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

CONSTITUTIONAL PROVISIONS

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

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

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

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

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

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

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

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

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

THE LOCAL GOVERNMENT BOND ACT

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

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

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

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

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

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

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

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

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

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

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

SHORT-TERM OBLIGATIONS

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

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

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

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

THE LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT

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

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

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

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

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

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

MAJOR GENERAL FUND REVENUE SOURCES

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

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

(1) Tangible household personal property is excluded from the property tax base.

(2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.

(3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.

(4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.

(5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:

   (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).

   - Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
   - Certain pollution abatement and resource recovery equipment.
   - "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
   - Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.

- Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.

(6) A homestead exemption of the greater of $25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

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

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

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

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

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

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

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

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

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

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

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

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

LOCAL GOVERNMENT SALES AND USE TAXES

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

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

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

Counties were previously authorized under the Third One-Half Cent Local Government Sales and Use Tax Act, to levy an additional one-half cent local option sales tax. However, as a part of a Medicaid relief package for the counties, this third one-half cent tax was replaced by the Local Government Hold Harmless Provision. Effective October 1, 2008, this tax was reduced to one-fourth cent and the remaining one-fourth cent was eliminated effective October 1, 2009. The phase out of this tax is part of an effort to allow the State to assume the County's portion of the Medicaid expense over a three year period. The State must guarantee that each county's gain will be at least $500,000 for each fiscal year as a result of the State assuming the county Medicaid share. Once the Third One-Half Cent tax was completely phased out on October 1, 2009, if the amount of a county's Medicaid cost assumed by the State plus $500,000 is less than the county's repealed local sales tax amount, the State must reimburse the county for the amount of the difference. Counties are to hold municipalities that were incorporated as of October 1, 2008, harmless for the phase-out of the Third One-Half Cent tax. The hold harmless funds are paid to municipalities by the Secretary of Revenue each month from funds obtained by reducing the county's monthly allocation of the one-percent local sales and use tax proceeds. The Medicaid relief package also provides for corresponding increases in the State sales tax to accompany the reduction of the Third One-Half Cent tax that was effective October 1, 2008 and repealed on October 1, 2009. Thus, the State sales tax was increased by one-quarter cent on October 1, 2008 and by another one quarter cent on October 1, 2009.

ALCOHOLIC BEVERAGE CONTROL STORE PROFITS

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of $20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and $10 of the $20 is paid to the State's General Fund.

INTRAGOVERNMENTAL SHARED REVENUES

The excise tax levied by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and cities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 23.75% of beer tax revenue, 62% of unfortified wine tax revenue and 22% of fortified wine tax revenue. A city or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold, the city or county shares only in the excise tax for that beverage. Two hundred thousand dollars ($200,000) from the net proceeds of the excise tax collected on unfortified wine is appropriated quarterly to the Department of Commerce to be used to promote the North Carolina grape and wine industry. The local share of these collections is computed on the net proceeds after deducting the transfer to the Department of Commerce. Some counties and municipalities do not permit the sale of either beer or wine and thus do not receive any share of this revenue.

Under the utility franchise tax law, the State levies a gross receipts tax on certain public utilities at rates of 3.22% to 6%. Cities receive quarterly distributions equal to 3.09% of taxable gross receipts from sales within municipalities of electricity during the preceding calendar quarter, minus one-fourth of the city's hold back amount and one fourth of the city's proportionate share of the annual cost to administer.

The State levies a sales tax on the gross receipts of telecommunications and ancillary services at a statutorily prescribed rate. The rate is equal to the sum of the State's sales tax rate and the rates of local sales taxes levied in each of the 100 Counties. Each quarter, the State distributes to cities 18.7 percent of these proceeds from that quarter, minus $2,620,948.

The State imposes a State excise tax on the distribution of piped natural gas, with statutorily prescribed rates that decrease with the amount of piped natural gas used by each customer. The State distributes quarterly to each city served by piped natural gas one-half of the tax attributed to sales within that city.

Cities and towns receive annually a motor fuel tax allocation equal to the amount produced during the year by a 1.75 cents tax on each gallon of motor fuel sold in the State. Payments are made from the collections of the prior fiscal year. Under the present distribution formula, 75% of the funds are allocated on the basis of population of eligible municipalities and 25% are allocated on the basis of the mileage of public streets within cities and towns that are not a part of the State highway system.

All cities and counties receive shares of three State sales taxes on local cable franchise system revenues which currently are 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. The distributions can be used for any public purpose after earmarking provisions are met. The first $2 million of the local share of the proceeds from these three taxes must be used by the local governments to support local public, educational, or governmental (PEG) access channels. A city or county that imposed subscriber fees during the first six months of the 2006-07 fiscal year must use a portion of the funds distributed to it for the operation and support of PEG channels, equal to two times the amount of subscriber fee revenue the county or city certifies that it imposed during the period. In addition, a city or county that used part of its franchise tax revenue in fiscal year 2005-06 for the operation and support of PEG channels, or a publicly owned and operated television station, must continue the same level of support.

STATE AND LOCAL FISCAL RELATIONS

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

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

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

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

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

APPENDIX G

BOOK ENTRY SYSTEM

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS ON THE BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

1. The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of the issue, and will be deposited with DTC.

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

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of the Bonds ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

BECAUSE DTC IS TREATED AS THE OWNER OF THE BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE BOND RESOLUTION, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COMMISSION, TO THE CITY OR TO DTC, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the City's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement

of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE COMMISSION AND THE CITY CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Commission and the City believe to be reliable, but the Commission and the City take no responsibility for the accuracy thereof.

THE COMMISSION AND THE CITY HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE BOND RESOLUTION TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.