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Ratings:
Moody's: Aa1
S&P: AAA
Fitch: AA+
(See "RATINGS" herein)

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2016

NEW ISSUE—Book-Entry Only

This Official Statement has been prepared by the Local Government Commission of North Carolina and the City of High Point, 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. Capitalized terms used on this cover page have the meanings given such terms in this Official Statement.

\$21,630,000*
City of High Point, North Carolina
General Obligation Refunding Bonds, Series 2016

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 and assumes continuing compliance by the City of High Point, North Carolina (the "City") with certain covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals; however, such interest will be includable in determining adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. 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 will not be subject to redemption prior to their respective maturities.

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

March 1 and September 1, commencing March 1, 2017

Denominations

\$5,000 or any integral multiple thereof

Expected Closing/Settlement

November 1, 2016

Bond Counsel

Womble Carlyle Sandridge & Rice, LLP, Raleigh, North Carolina

Financial Advisor

Davenport & Company LLC, Charlotte, North Carolina

Sale Date

October 11, 2016

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale

The date of this Official Statement is October __, 2016

* Preliminary; subject to change.

MATURITY SCHEDULE*

\$21,630,000
City of High, Point
General Obligation Refunding Bonds, Series 2016

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ¹	<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ¹
2018	\$ 985,000			2024	\$1,950,000		
2019	1,835,000			2025	2,010,000		
2020	2,080,000			2026	2,025,000		
2021	2,060,000			2027	1,995,000		
2022	1,990,000			2028	1,955,000		
2023	1,950,000			2029	795,000		

* Preliminary; subject to change.

¹ Information obtained from the underwriters of the Bonds.

CITY OF HIGH POINT, NORTH CAROLINA

CITY COUNCIL

William S. Bencini, Jr. Mayor

Jeffrey J. Golden.....Mayor Pro-Tempore

Latimer B. Alexander, IV

Jay W. Wagner

Cynthia Y. Davis

Alyce B. Hill

James C. Davis

Jason P. Ewing

Christopher Williams

CITY STAFF

Greg Demko City Manager

Randy E. McCaslin.....Deputy City Manager

Randall W. Hemann..... Assistant City Manager

Jeffrey A. Moore.....Financial Services Director

JoAnne Carlyle, Esq. City Attorney

Lisa B. Vierling..... City Clerk

FINANCIAL ADVISOR

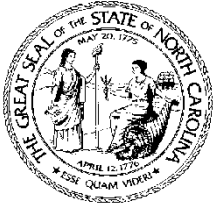
Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Womble Carlyle Sandridge & Rice, LLP
Raleigh, North Carolina

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NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

JANET COWELL
TREASURER

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 issuance of \$21,630,000* General Obligation Refunding Bonds Series 2016 (the “Bonds”) of the City of High Point, 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 North Carolina Local Government Commission (the “Commission”) in gathering and assembling the information contained herein.

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

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

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

* Preliminary; subject to change as provided in the Notice of Sale for the Bonds.

THE BONDS

Description

The Bonds will be dated their date of delivery and will bear interest from their date, payable on each March 1 and September 1, beginning March 1, 2017, at the interest rates set forth on the inside cover page of this Official Statement. The Bonds will mature on March 1 in the years and principal amounts set forth on the inside cover page of this Official Statement. Interest will be paid on each interest payment date to the person appearing on the record books of the City as the registered owner of the Bonds as of the close of business on the fifteenth day of the month 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 (“DTC”) will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and in accordance with the practices and procedures of DTC. See Appendix F hereto for a description of DTC and the book-entry only system for the Bonds.

The Bonds will not be subject to redemption prior to their respective maturities.

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, a bond order duly adopted by the City Council of the City on September 6, 2016, which bond order has taken effect, and a resolution duly adopted by the City Council of the City on September 19, 2016. The Bonds are being issued for the purpose of providing funds to refund certain outstanding bonds of the City as described under “THE REFUNDING PLAN” herein.

Security

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

THE REFUNDING PLAN

The Bonds are being issued for the purpose of providing funds, together with any other available funds, for refunding all or a portion of the City’s \$2,970,000 General Obligation Public Improvement Bonds, Series 2007A, dated November 6, 2007, and stated to mature on March 1, 2018 to 2028, inclusive, to be redeemed on March 1, 2017; \$10,565,000 General Obligation Public Improvement Bond Series 2007B, dated November 7, 2007, and stated to mature on March 1, 2018 to 2028, inclusive, to be redeemed on March 1, 2017; and \$9,180,000 General Obligation Public Improvement Bonds Series 2008, dated June 10, 2008, and stated to mature on March 1, 2019 to 2029, inclusive, to be redeemed on March 1, 2018 (collectively, the “Bonds to be Refunded”); and paying related financing costs.

A portion of the proceeds to be received from the sale of the Bonds will be applied to the purchase of direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the “Government Obligations”). The Government Obligations will be held in trust by U.S. Bank National Association, Charlotte, North Carolina, as escrow agent, pursuant to an Escrow Deposit Agreement between the City and such escrow agent, and will mature at such times and in such amounts and will bear interest payable at such times and in such amounts so that sufficient funds will be available, together with funds

deposited with such escrow agent and held uninvested as cash, to pay when due the redemption price of and interest on the Bonds to be Refunded to and including their respective redemption dates. Such escrow agent will apply the maturing principal of and interest on the Government Obligations and such cash to the payment of the redemption price of and interest on the Bonds to be Refunded when the same becomes due and payable. The City has given the escrow agent irrevocable instructions (effective upon the issuance of the Bonds) to redeem the Bonds to be Refunded on their respective redemption dates mentioned above.

THE CITY

General Description

The City is located predominantly in Guilford County (the “County”), with small portions located in Randolph, Forsyth and Davidson Counties. It is located along the I-85/I-40 and I-74 corridors and is recognized as one of the fastest growing industrial regions in the country. The City is at the core of the North Carolina’s Piedmont Triad region, with a population of more than 1.6 million. The region is the 37th largest metropolitan area in the country based on the United States Census Bureau’s 2010 population estimates.

The City has “annexation agreements” with all adjoining municipalities which identify future annexation boundaries. The City has utilized voluntary annexation as a means to incorporate valuable commercial/industrial property located in the southwest section of the County near the Piedmont Triad International Airport.

Demographic Characteristics

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

<u>1990</u>	<u>2000</u>	<u>2010</u>
69,428	85,839	104,371

The North Carolina Office of State Budget and Management estimated the City’s population to be as follows:

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
105,483	106,393	107,642	108,552

The City’s Planning and Development Department has estimated the City’s current population to be 111,967.

Per capita income data for the County, the State and the United States are presented in the following table:

<u>Year</u>	<u>County¹</u>	<u>State</u>	<u>United States</u>
2010	\$36,801	\$35,469	\$40,144
2011	37,939	36,622	42,336
2012	39,467	38,655	44,200
2013	38,923	37,774	44,765
2014	40,343	39,171	45,365

¹ Separate data for the City is not available.

Source: United States Department of Commerce, Bureau of Economic Analysis (latest data available).

Commerce and Industry

The City is located along the I-85/I-40 corridor and the I-74/I-73 corridor in the Piedmont crescent region of central North Carolina. The City is in the center of North Carolina's third largest Combined Statistical Area (CSA) with a labor force of approximately 804,000. The City is a "gig city" having internet connections that are up to 1 gigabit per second. The City serves as a center for home furnishings, manufacturing, distribution/logistics, commercial photography, high tech pharmaceuticals and service providers.

A globally-connected community, the City earns its nicknames as North Carolina's International City™ and Home Furnishings Capital of the World™. The City has been known as the "Home Furnishings Capital of the World" for nearly a century. The City hosts the High Point Market (formerly known as the International Home Furnishings Market), the world's largest international home furnishings trade show each April and October, and the international "Showtime!" fabric market each June and December. Annually, these markets attract more than 164,000 domestic and international exhibitors and buyers from more than 110 countries around the world.

More than 2,000 domestic and international manufacturers and exhibitors currently show in approximately 11.5 million square feet of permanent and temporary showroom space located in the City's downtown area. The City also features a network of home furnishings retailers attracting consumers from across the country. Tens of thousands of shoppers travel to the City annually to purchase home furnishings. In addition to furniture sales, this has been a positive impact on the City's hospitality industry.

In 2011, International Market Centers, LP, a limited partnership ("IMC"), invested approximately \$1 billion to purchase three major showroom complexes in the City: the International Home Furnishings Center, Market Square, and Showplace buildings. In addition to these properties, IMC also purchased the World Market Center buildings in Las Vegas. This combined 11.5 million square feet of exhibition space created the world's largest network of home furnishings/exhibition space.

A 2013 Duke University study found that the High Point Market generates more than \$5.39 billion in economic impact to the overall regional economy (the counties within a 75-mile radius from downtown High Point). Duke University's Center on Globalization, Governance & Competitiveness, which conducted the study, found that the High Point Market supports 37,616 jobs in the region. North Carolina collects approximately \$123 million in tax revenue each year due to the economic activity generated by the High Point Market.

A growing number of diverse companies serves the home furnishings industry, including the two largest still photography studios in the country, product design firms, showroom design firms, advertising and public relations agencies, printers and specialized building contractors. Professional trade associations, including the National Home Furnishings Association and the American Furniture Manufacturers Association, maintain national headquarters in the City.

The City has impressively diversified its industrial base from its furniture and hosiery past. In addition to furniture and home furnishings, major industry clusters today include aerospace; logistics, transportation, and distribution; innovative manufacturing; life sciences, pharmaceutical, and nutritional; healthcare; commercial photography; and specialized business services (banking, credit, financial services, etc.). While the furniture industry remains an important part of the local economy, the City has attracted a diverse mixture of local, national and international businesses and industry over the past several years. Of the top 20 major employers in the City, only one such employer is furniture related. This furniture-related firm employs 2.6% (or 543) of the 20,910 people employed by the top 20 major employers in the City. The other 19 major employers serve the finance,

customer service, distribution, health care, local government and education sectors. More than 75 companies in the City are internationally owned.

The City is home to several corporate business parks that are key components to the City's economic growth. The largest of these parks, Piedmont Centre, encompasses more than 1,100 acres and is home to approximately 210 businesses that employ more than 10,000 employees. Companies located in the City's business parks include Bank of America, Ralph Lauren Corporation, Patheon Corporation (formerly Banner Pharmacaps), XPO Logistics Supply Chain/New Breed, Aetna U.S. Healthcare of the Carolinas, APAC Customer Services (formerly NCO Group) and Advanced Home Care.

In 2014, Belgian-owned BuzziSpace announced plans to open a furniture manufacturing facility and began renovating a closed 100-year old mill for its North American manufacturing headquarters. BuzziSpace is operational and currently employs approximately 40 people and is expected to create 113 jobs and invest more than \$1.75 million during the next several years. During 2014, Volvo Group moved into a newly constructed office building with 650 employees from other locations. Also during 2014, Daimler/Thomas Built Buses expanded their facility on the border between High Point/Guilford County and Archdale/Randolph County resulting in about \$6.5 million increase for the City's tax base and an additional 236 jobs. APAC Customer Services added over 800 positions and the relocation of Heritage Home Group's headquarters to the City added another 300 new jobs.

Expansions and growth in the City continued during 2015. HAECO Americas, which acquired TIMCO Aviation Services in 2014, purchased and expanded a 250,000 square foot facility and expects to add 147 employees to its workforce. Environmental Air Systems (EAS) expanded to a second facility and added 60 jobs. Ralph Lauren Corporation opened its fifth City location in another major distribution/logistics/office facility. This latest 843,000 square foot facility will increase the tax base over \$34 million and brings total employment to 2,840. Packrite broke ground on an \$8.9 million expansion of its manufacturing facility which is expected to create 100 new jobs. In addition, Marsh Furniture Company added 164 employees.

In addition to the aforementioned companies, other business sectors in the City are growing and expanding. Affiliated with UNC Health Care since 2013, High Point Regional Health System is in the midst of \$150 million renovation and expansion of the hospital's operating rooms and making upgrades to its building infrastructure.

High Point University continues its rapid growth with its September 2015 announcement for an \$88 million pharmacy and health sciences facility which will require an additional 100 faculty and is expected to attract 700 graduate students. Since 2005, the University has increased from 92 acres to 430 acres and from 740,000 square feet in 22 buildings to over 4 million square feet in 112 facilities. The University announced in August 2016 that it employs 1,551 employees and that undergraduate enrollment is 4,500 traditional students.

The North Carolina General Assembly passed, and the Governor signed, House Bill 2 ("HB2") on March 23, 2016 which, among other things, preempts cities and other local governments from adopting non-discrimination ordinances. HB2 prevents cities and counties from establishing a minimum wage and regulating other employment practices, and eliminates the right to pursue claims of discrimination under State law based on race, religion, color, national origin, biological sex or handicap. The North Carolina General Assembly subsequently passed, and the Governor signed, legislation amending HB2 so as to reinstate the right to pursue claims of discrimination described in the preceding sentence. The City cannot predict the impact of HB2 on the City's economy or its revenues.

The following table lists by corporate name, product or service and approximate number of employees the major business and institutional establishments in the City:

<u>Company/Institution</u>	<u>Service or Product</u>	<u>Approximate Number of Full-Time Employees</u>
Ralph Lauren Corporation	Distribution/Customer Service	2,840
Bank of America	Finance/Customer Service	1,850
High Point Regional Hospital/UNC Health Care	Health Care	1,830
Guilford County Schools (employees in High Point schools and offices)	Public Education	1,670
Thomas Built Buses/Daimler Trucks	Bus Manufacturing	1,620
City of High Point	Local Government	1,390
High Point University	Secondary Education	1,270
Cornerstone Health Care	Health Care	1,225
APAC Customer Services	Customer Service	1,165
XPO Logistics Supply Chain/New Breed	Distribution Networks/Logistics IT	775
Solstas Lab Partners/Quest Diagnostics	Health Care/Medical Laboratory Services	720
Aetna	Insurance/Service Center	670
Slane Hosiery Mills	Footwear Manufacturing	645
Volvo Group	Corporate Office	600
Advanced Home Care	Health Care	560
Marsh Furniture Company	Cabinet Manufacturing	540
Patheon Corporation	Pharmaceutical Manufacturing	475
Sears Product Services Marketing Center	Customer Service	360
Guilford County (employees in High Point)	Local Government	350
North State Communications	Communications Utility	340

Source: High Point Economic Development Corporation Survey (December 2015).

Total taxable sales within the County for the five fiscal years ended June 30, 2012 through 2016 are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2012	\$5,639,379,892	5.2%
2013	5,645,035,166	0.1
2014	5,871,111,690	4.0
2015	6,449,699,410	9.9
2016	6,706,236,443	4.0

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

Employment

The North Carolina Department of Commerce, Division of Labor and Economic Analysis has estimated the percentage of unemployment in the City to be as follows:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
January	10.2%	6.9%	6.1%	5.7%
February	9.5	7.1	5.9	5.7
March	9.0	6.8	5.6	5.4
April	8.6	6.1	5.4	5.1
May	9.5	6.9	6.2	4.9
June	9.6	7.2	6.4	5.4
July	9.7	7.5	6.7	5.1
August	8.4	7.1	6.3	N/A
September	7.8	6.1	5.6	N/A
October	7.9	5.8	5.5	
November	7.1	6.0	5.4	
December	6.7	5.5	5.4	

Government and Major Services

GOVERNMENT STRUCTURE

The City has a Council-Manager form of government. The City Council is the legislative body of the City government with the Mayor as a voting member and the presiding officer. The Mayor is elected on an at-large basis for a two-year term. The remainder of City Council is composed of two at-large members and members from six voting wards. Council members are elected on a non-partisan basis and serve two-year terms. Due to a change in the law establishing the City's election cycle, the incumbent council members currently serve a three-year term. The next municipal election will be held in November 2017.

The City Manager, the chief executive officer of the City, is appointed by and serves at the pleasure of the City Council and is responsible for carrying out the policies and ordinances of the City Council and administering the daily operations of the City through appointed department heads.

EDUCATION

The school system in the City operates under a consolidated City-County arrangement merging all public educational institutions into one system in the County. The City has no financial responsibility for the consolidated school system. The school system offers several magnet schools, including International Baccalaureate, Teaching and Arts, Aviation Technology and Medical Sciences programs at the three high schools in the City, plus many other innovative programs in the numerous elementary and middle school locations in the City. Several well-established private and parochial schools also serve the community. The public library, the High Point Museum and Historical Park, Furniture Discovery Place and the Rebecca R. Smothers Piedmont Environmental Center are additional educational resources.

The following table reflects average daily membership (“ADM”) in the County schools and the number of schools for a five-year period:

<u>School Year</u>	<u>No. of Schools</u>	<u>Elementary K-5</u>	<u>Intermediate 6-8</u>	<u>Secondary 9-12</u>	<u>Total Students Including Special Non-Graded Students</u>
2011-12	121	32,923	16,796	22,337	72,056
2012-13	124	33,046	16,837	22,720	72,603
2013-14	126	32,366	16,633	23,389	72,388
2014-15	124	33,046	16,837	22,720	72,603
2015-16	126	32,366	16,633	23,389	72,388

Note: ADM (determined by actual records at the schools) is computed by the North Carolina Department of Public Education on a uniform basis for all public school units in the State. The ADM computation is used as a basis for teacher allotments.

Source: North Carolina Department of Public Instruction.

In addition to the public school system, there are 34 private or church affiliated schools which have a total enrollment of approximately 8,550 students in the County. Of this number, there are eight private or church affiliated schools serving over 3,300 students within the City limits.

The City and the Piedmont Triad region are home to 13 major colleges and universities, including High Point University, Wake Forest University and four branches of the University of North Carolina. High Point University, a private four-year, co-educational liberal arts university affiliated with the United Methodist Church, is located in the City. The University’s fall 2016 enrollment was approximately 4,800, comprised of 4,500 undergraduate students and 300 graduate students. In 2011, the University expanded its growth plan from \$300 million to \$2.1 billion. Since 2005, undergraduate enrollment has increased from 1,450 to 4,500, full-time faculty has increased 178% to 300, while total workforce has expanded from 430 to 1,551, or a 261% increase, the number of buildings has increased from 22 to 112, and the campus has expanded from 92 acres to more than 430 acres. The University has added four new schools: art and design, communications, health sciences and pharmacy, along with new academic majors in mathematical economics, physics, international relations, interactive gaming and actuarial studies. The University’s economic impact on the City and the four counties in which the City is located is estimated at \$465 million annually.

Laurel University (formerly John Wesley College), an interdenominational four-year Bible College with approximately 950 full-time, part-time and online students, is also located in the City.

Four of the State’s technical institutions and community colleges are within 25 miles of the City’s downtown. Guilford Technical Community College (“GTCC”) has a campus in downtown High Point, which is a satellite to its main campus seven miles away in Jamestown. GTCC serves more than 40,000 students taking classes to learn new skills with over 14,000 students enrolled in any one of GTCC’s degree credit curriculums in the spring of 2016. The City does not have any financial responsibility for GTCC, which is supported by State, federal and County funds.

HEALTHCARE FACILITIES

High Point Regional Health System, a member of UNC Health Care System, includes a 351-bed hospital, as well as complimentary facilities staffed by more than 2,300 health-care professionals. Services include open-heart surgery, a magnetic resonance imaging center, a free-standing outpatient surgery center, a six-room childbirth suite with normal newborn nursery and a Level II Premature Nursery, inpatient psychiatric treatment, a cardiac rehabilitation and fitness center,

urgent care/outpatient center and a wide range of cancer treatments at the Lillian J. Phillips Cancer Pavilion. The hospital is undergoing a \$150 million renovation/expansion project in connection with its affiliation with the UNC Health Care System.

There are several other hospitals located within a 25-mile radius of the City, including Moses Cone Health System, Wake Forest University Baptist Medical Center, Novant Health Forsyth Medical Center and Novant Health Thomasville Medical Center.

TRANSPORTATION

The City and the State combine to maintain approximately 583 miles of streets within the City limits. Improvement and expansion of the City street network is primarily funded through the sale of bonds, revenue generated by fees for City services and property taxes.

The network of highways in the City provides connections to various points in the United States. Interstates 40 and 85, US Highways 29, 70 and 311, and NC Highways 68 and 62 serve the City. Companies located in the City have immediate access to Interstates 40 and 85, with Interstate 77 being less than 25 miles away. The I-74/I-73 corridor, which was completed in 2013, provides interstate access running through the City paralleling the existing US Highway 311.

The Piedmont Triad International Airport (the “Airport”) is approximately four miles from the City. The Airport is served by five major airlines: American, Delta, United, US Airways and Frontier. For the calendar year ended December 31, 2015, approximately 55 scheduled daily departures carried 842,190 enplaned passengers. The Airport is also served by 15 regional/commuter airlines, as well as five all-cargo airlines. The Airport is the new mid-Atlantic hub for Federal Express. The Piedmont Triad Airport Authority recently completed a major expansion project related to the Federal Express project, including construction of an air cargo facility, construction of a 9,000-foot public runway and related airfield improvements, and the relocation of the main access road to the Airport. The Piedmont Triad Airport Authority owns and operates the Airport.

Amtrak operates two passenger routes through the City and utilizes The Depot, a historic passenger depot that was renovated in 2003. The Depot is also used for other mixed uses and creates a unique focal point for the City’s downtown activities. Norfolk and Southern Railway provides freight service in the City.

The City is served by three bus lines for inter-city routes and charter trips. Local bus service is provided by a City-owned 17 unit system. The City has a 50% matching operating deficit grant from the Federal Transportation Administration.

CULTURE AND RECREATION

The City’s residents enjoy a wide variety of activities on a year round basis due largely to a mild climate and an abundance of natural recreation amenities. The City owns and operates 43 parks, ranging from small neighborhood parks to larger Regional Parks and Athletic complexes. In addition, the City offers five recreation centers, one community center, two public golf courses, outdoor and indoor tennis courts, two public lakes and marinas, two outdoor swimming pools, and hiking/biking and greenway trails. The City is the site of North Carolina’s second and the Piedmont Triad’s only Miracle League baseball field and playground which is specially designed to meet the recreational needs of children with intellectual and/or physical disabilities in the City and surrounding communities.

Supporting cultural art opportunities, the City also hosts the Uncle Sam Jam, an annual Fourth of July celebration attracting over 20,000 spectators, as well as partners with a variety of

community organizations to host events such as the John Coltrane International Jazz Festival held annually at Oak Hollow's Festival Park.

The City provides numerous avenues for the display of traditional and contemporary art of all types, including children, adult, and emerging artist programs developed and administered by the High Point Arts Council at the Arts Council Center and the Theatre Arts Gallery, which is housed in the High Point Theatre lobbies.

PUBLIC SERVICE ENTERPRISES

The City furnishes water and sanitary sewer services to residents of the City and adjacent areas. The City owns an electric distribution system which provides electric service within most of the City. The City also owns and operates a materials recycling center, a composting facility and a landfill. Central business district parking is provided by the City through municipally-owned parking facilities. Piedmont Natural Gas Company provides services for natural gas users.

Water and Sanitary Sewer System

The City operates a diversified water and sewer system and is the sole provider of this essential governmental function within its service area. The system is designed to be self-supporting and provides for operations, debt service and, in combination with a planned revenue bond issuance strategy, a balanced multi-year capital improvement plan.

The City's water treatment plant and distribution system furnish water to the citizens of the City and a portion of the County. Two City-owned lakes which are fed by the Deep River supply raw water. The Ward Water Treatment Plant's capacity is 24 million gallons per day ("MGD"). The average daily water consumption for fiscal year 2016 was 12.8 MGD, with a recorded peak daily demand of 17.4 MGD. Finished water storage is provided by 16 million gallons ("MG") of ground storage and 3 MG of elevated storage. The City supplies water service to approximately 42,400 residential and commercial customer accounts.

The City's long-term capacity needs are being met through the Piedmont Triad Regional Water Authority. The Authority was formed in 1987, and its members consist of one county and five municipalities, including the City. The Authority manages and operates the Randleman Reservoir and Dam on the Deep River, as well as a finished water treatment facility and transmission mains that currently provides 14.7 MGD of treated water to its members and is designed to ultimately provide up to 48 MGD of treated water to its members upon expansion of the treatment plant in phases as needed. Under an interlocal agreement among the Authority and the Authority's other members, the City's allocable portion of the capacity is 19%, or approximately 9.1 MGD, and the City is responsible for paying 19% of the capital and operational expenditures. The treated water supplied by the Authority, together with the raw water from Arnold J. Koonce, Jr. City Lake and Oak Hollow Lake, provide the City's customers with three sources of drinking water.

The City operates two wastewater treatment plants. The total capacity of 32.2 MGD is divided between the Eastside Plant with a 26 MGD capacity and the Westside Plant with a 6.2 MGD capacity. The Westside Plant is under construction for upgrade and expansion to a capacity of 10 MGD which is expected to be completed in 2017. The average daily discharge for the fiscal year ended June 30, 2016 was 16.2 MGD with a recorded peak usage of 39.8 MGD. The City supplies sewer service to approximately 40,400 residential and commercial customer accounts.

Parking System

During the fiscal year ending June 30, 2016, the City operated two off-street parking garages and one surface lot comprising a total of 1,234 spaces. Cumulative totals for this fiscal year included 634 monthly rate customers, 14,674 hourly rate customers, and 187 validations.

In January 2015, a third City-owned parking garage was leased to the High Point Radisson Hotel, a subsidiary of Inner Circle High Point, LLC. The garage has 252 spaces and is operated by the Radisson. The hotel is responsible for staffing, general upkeep and functional enhancements of the parking garage and pays the City \$2,000 per month in rent. The City is responsible for capital maintenance and utilities.

Solid Waste Disposal System

The City collects residential and commercial solid waste. This waste along with commercial and industrial solid waste collected by private haulers is processed through a Materials Recovery Facility and a Composting Facility. Solid waste, which is not recovered for recycling and composting at these facilities, is disposed of in a City-owned sanitary landfill. These combined facilities handled the disposal of approximately 132,000 tons of municipal solid waste in the 12-month period ended June 30, 2016. The landfill facility has a remaining useful life of approximately 25 years.

Electric Distribution System

The City owns and operates an electric distribution system within the City. The area includes 769 circuit miles of wire through 14 substations. Consumption during the fiscal year ended June 30, 2016 was 1.167 billion KWH, all of which was purchased from North Carolina Municipal Power Agency Number 1 (the "Power Agency").

The City and 18 other State municipalities are members ("Participants") of the Power Agency, a joint agency of the State created under Chapter 159B of the general statutes of North Carolina, as amended, which owns a 75% undivided ownership interest in the 1,145 megawatt Unit 2, and a 37.5% undivided ownership interest in certain support facilities of the Catawba Nuclear Station (the "Project"), in York County, South Carolina. In addition, the Power Agency has entered into certain agreements (the "Project Agreements") with Duke Energy Corporation ("Duke"), a co-owner of the Project, for the continued operation of the Project by Duke, for interconnection of the Project with the Duke electric system and certain other service by Duke to the Power Agency. Commercial operation of Catawba Unit 1 began in June 1985, and commercial operations of Catawba Unit 2 began in August 1986. The Nuclear Regulatory Commission has granted an extension of the operating licenses for Catawba Unit 1 and Catawba Unit 2 to December 2043 for both units.

The Participants, including the City, have entered into two major agreements with the Power Agency. Under one of these agreements (the "Project Power Sales Agreement"), the City has agreed, in exchange for a share of the power and energy from the Project ("Project Output"), to take or pay for its share of Project Output whether or not the Project is completed, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of the Project Output for any reason whatsoever. The City's share of Project Output is 18.96%. The second agreement (the "Supplemental Power Sales Agreement") with the Power Agency provides in effect that the Power Agency is the City's all requirements bulk power supplier and that the City is obligated to purchase all of its bulk power supply requirements from the Power Agency, except for any power purchased directly by the City from the Southeastern Power Administration. The Power Agency provides the additional power and energy, in excess of Project Output supplied from the Project through reliability exchanges with Catawba Unit 1 and the McGuire Nuclear Station, required to meet the bulk power supply requirements of all the Participants through various contractual arrangements, including contracts with Georgia Power Company, Southern Power

Company, Dynegy, and through various other market purchases as needed. In addition, the Power Agency also has available to meet the additional power and energy requirements of the Participants 66 MW of Power Agency owned aggregate Distributed Generation along with 109 MW of aggregate contracted Distributed Generation of certain large retail customers of Power Agency Participants.

The City's obligations under the Project Power Sales Agreement and the Supplemental Power Sales Agreement are payable as an operating expense of its electrical distribution system solely from the revenues of such system. Copies of the Project Agreements and the form of the Project Power Sales Agreement and the Supplemental Power Sales Agreement are on file with the Local Government Commission and the City and should be referred to because of the complex nature of the power supply program referred to therein.

In the Project Agreements, the Power Agency and Duke have entered into two reliability exchanges (the "Reliability Exchanges") that effectively provide for the Power Agency's entitlements to output, less output sold to Duke, in essentially equal amounts from four nuclear units of similar size and design (Catawba Units 1 and 2, and McGuire Nuclear Station Units 1 and 2). The Reliability Exchanges are intended to enhance the reliability of the Power Agency's entitlements to Project Output and to mitigate potential adverse economic effects on the Power Agency and the Participants from extended outages of the Project. Correspondingly, the Power Agency bears risks resulting from outages of any of the Catawba and McGuire Units. In consideration of the Reliability Exchanges, the Power Agency makes exchange payments to Duke that result in the Power Agency paying 37.5% of the cost of construction and operation of the entire Catawba Nuclear Station.

Unit 1 of McGuire began commercial operation in December 1981, and Unit 2 of McGuire began commercial operation in March 1984. In December 2003, the NRC granted an extension of the operating licenses for McGuire Unit 1 and McGuire Unit 2 to June 21, 2041 and March 3, 2043, respectively.

Since July 1, 1983, the Power Agency has provided all requirements bulk power supply to the Participants. All requirements bulk power supply service to the Participants include Project Output provided by the Reliability Exchanges and supplemental power furnished under other provisions of the Project Agreements and other agreements for the purchase of power by Power Agency. The Power Agency bills each Participant under the Project Power Sales Agreement monthly for its Project power costs, including its share of the debt service on bonds issued by the Power Agency.

To finance its ownership in the Project, the Power Agency has issued debt, and as of December 31, 2015, the Power Agency had bonds outstanding in the principal amount of \$1,173,205,000.

The City is also a member of ElectriCities of North Carolina, Inc. ("ElectriCities"), a joint municipal agency serving the interest of municipal electric systems in the State. Of the 74 municipalities in the State that own electric systems, 66 are members of such organization. Of the 66 members, 51 are municipalities who participate in the State's two municipal power agencies. In addition, ElectriCities has 25 associate members comprised of municipalities from North Carolina, Virginia, South Carolina, and three members of the University of North Carolina consolidated university system, each of which owns and operates an electric distribution system.

On March 17, 1994, the City Council adopted a policy for the transfer of funds from the Electric Fund to the General Fund. The policy provides that transfers of funds from the Electric Fund to the General Fund will be made each year and will be no lower than three percent (3%) of gross sales and no higher than four percent (4%) of gross sales. As part of its strategy to prepare itself for possible deregulation of the electric industry, the City Council decided to go beyond the policy minimums. However, the City eliminated operating transfers to the General Fund commencing with the 2000-2001 fiscal year.

The annual budgets for fiscal year 2015-16, as well as fiscal year 2016-17, did not include a retail rate adjustment in keeping with the City's strategy to only pass along wholesale power rate increases or decreases approved by Electricities.

The City has taken several initiatives over the past several years to control wholesale electrical costs, stabilize costs to existing customers, and develop new electrical load. An electrical load management system cycles customers load on and off during the peak to lower peak demand costs. Some customers turn on their standby generators during this period to lower costs. Several million dollars in annual savings have been shown to large commercial and industrial accounts by energy audits. New load additions are encouraged through "time of use" and "economic incentive rates". A City economic development package uses electric funds to help companies bringing new electric load to the City.

The City continues to maintain and expand its electric system through a capital plan investing from revenues almost \$23 million over the next five years. The City's reliability factor is 99.99%.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized bonds, including those being offered by this Official Statement, the City has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$632,000,000 as of June 30, 2016. 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 B.

OUTSTANDING GENERAL OBLIGATION DEBT

	Principal Outstanding as of			
	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
General Obligation Bonds				
Water	\$ 10,949,236	\$ 4,703,066 ¹	\$ 3,747,312	\$ 2,600,090 ²
Sanitary Sewer	13,439,242	11,806,383 ¹	10,250,412	8,060,379 ²
Street and Sidewalk	45,057,682	39,900,472 ¹	37,515,381	32,302,198 ²
Storm Sewer and Flood Control	12,550,986	16,875,257 ¹	13,932,871	13,395,407 ²
Other	<u>34,637,854</u>	<u>41,174,822¹</u>	<u>38,269,024</u>	<u>36,276,926²</u>
Total General Obligation Debt	<u>\$116,635,000²</u>	<u>\$114,460,000²</u>	<u>\$103,715,000</u>	<u>\$92,635,000</u>

¹ Bonds Issued:

2013-14 \$14,475,000 Taxable General Obligation Refunding Bonds, Series 2013, 1.72% true interest cost.

\$6,115,000 General Obligation Public Improvement Bonds, Series 2014, 10.26 years average maturity, 2.8444% true interest cost.

\$10,100,000 General Obligation Refunding Bonds, Series 2014, 7.62 years average maturity, 2.2009% true interest cost.

² A portion of these bonds will be refunded with the proceeds of the Bonds now being offered. See "THE REFUNDING PLAN" herein.

Note: The above table does not include refunded bonds with respect to which an escrow agent holds in trust U.S. Government Obligations which mature at such times and in such amounts so that sufficient moneys will be available to pay when due principal of and interest and any premium on the refunded bonds to their respective maturities or dates of redemption.

GENERAL OBLIGATION DEBT RATIOS

<u>At June 30</u>	<u>Total GO Debt¹</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population</u>	<u>Total GO Debt Per Capita</u>
2012	\$125,810,000	\$9,240,691,893	1.36%	106,393 ²	\$1,182.50
2013	116,635,000	8,887,427,910	1.31	107,642 ²	1,083.55
2014	114,460,000	9,052,837,440	1.26	108,552 ²	1,054.43
2015	103,715,000	8,929,728,916	1.16	110,638 ³	937.43
2016	92,635,000	9,025,492,496	1.03	111,967 ³	827.34
<hr/>					
After the Bonds now offered are issued	\$91,550,000 ^{5,6}	\$9,125,801,713 ⁴	1.00%	111,967 ³	\$817.65

¹ Does not include refunded bonds with respect to which an escrow agent holds in trust U.S. Government Obligations which mature at such times and in such amounts so that sufficient moneys will be available to pay when due principal of and interest and any premium on the refunded bonds to their respective maturities or dates of redemption.

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

³ Estimate of the City's Planning and Development Department.

⁴ Estimate.

⁵ Does not include the Bonds to be Refunded as described under "THE REFUNDING PLAN" herein.

⁶ The principal amount of the Bonds now being offered and the amount of Bonds to be Refunded is subject to change as described in the Notice of Sale for the Bonds and the "PLAN OF REFUNDING" herein.

GENERAL OBLIGATION BOND DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year	UTILITIES		OTHER		TOTAL		Bonds Now Offered ²
	Existing Debt		Existing Debt		Existing Debt ¹		
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest	
2016-17	\$ 5,482,393.29	\$ 6,664,170.37	\$ 5,812,606.71	\$ 8,298,880.21	\$ 11,295,000	\$ 14,963,030.58	--
2017-18	4,818,386.47	5,869,177.79	5,236,613.53	7,554,439.09	10,055,000	13,423,616.88	\$ 985,000
2018-19	3,907,911.89	4,794,591.59	4,972,088.11	7,111,655.73	8,880,000	11,906,247.32	1,835,000
2019-20	3,139,678.82	3,868,516.12	4,795,321.18	6,744,133.56	7,935,000	10,612,649.68	2,080,000
2020-21	2,995,206.19	3,571,807.61	4,789,793.81	6,538,771.01	7,785,000	10,110,578.62	2,060,000
2021-22	2,586,302.53	3,017,448.83	4,723,697.47	6,262,458.92	7,310,000	9,279,907.75	1,990,000
2022-23	1,613,869.90	1,930,365.14	4,666,130.10	6,004,029.34	6,280,000	7,934,394.48	1,950,000
2023-24	1,285,367.83	1,525,343.05	4,494,632.17	5,625,070.83	5,780,000	7,150,413.88	1,950,000
2024-25	1,231,670.36	1,423,137.46	4,488,329.64	5,432,870.72	5,720,000	6,856,008.18	2,010,000
2025-26	1,110,725.16	1,259,129.12	4,394,274.84	5,169,638.36	5,505,000	6,428,767.48	2,025,000
2026-27	712,985.30	819,889.56	4,087,014.70	4,687,599.18	4,800,000	5,507,488.74	1,995,000
2027-28	645,761.12	720,387.12	3,539,238.88	3,968,565.36	4,185,000	4,688,952.48	1,955,000
2028-29	479,785.96	523,202.68	2,565,214.04	2,835,837.30	3,045,000	3,359,039.98	795,000
2029-30	330,832.32	349,607.06	1,939,167.68	2,090,870.43	2,270,000	2,440,477.49	--
2030-31			590,000.00	647,437.50	590,000	647,437.50	--
2031-32			590,000.00	629,000.00	590,000	629,000.00	--
2032-33			305,000.00	324,825.00	305,000	324,825.00	--
2033-34			<u>305,000.00</u>	<u>314,912.50</u>	<u>305,000</u>	<u>314,912.50</u>	<u>--</u>
Totals	\$30,340,877.14	\$36,336,773.50	\$62,294,122.86	\$80,240,995.04	\$92,635,000	\$116,577,768.54	\$21,630,000

¹ Includes the Bonds to be Refunded with proceeds of the Refunding Bonds now being offered. See "THE REFUNDING PLAN" herein.

² Subject to change as described in the Notice of Sale for the Refunding Bonds.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Refunding	09/06/2016	\$25,000,000	\$21,630,000 ¹	\$3,370,000 ¹

¹ Subject to change as described in the Notice of Sale for the Bonds.

GENERAL OBLIGATION DEBT INFORMATION FOR GUILFORD COUNTY AS OF JUNE 30, 2016

<u>Unit</u>	<u>2014 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>GO Debt Authorized and Unissued</u>	<u>Total GO Debt</u>	<u>Total GO Debt Per Capita</u>
Guilford County	512,273	\$46,599,830,231	\$0.7981	\$243,085,000	\$670,710,000	\$1,309.00

¹ Estimate of North Carolina Office of State Budget and Management.

OTHER LONG-TERM COMMITMENTS

The City has entered into several capital lease agreements for equipment utilized in the General Fund and Internal Service Fund. The lease payment obligations for these capital leases are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2017	\$1,636,411
2018	1,330,277
2019	1,032,099
2020	767,142
2021	360,000
2021-2026	<u>1,620,000</u>
Total	<u>\$6,745,930</u>

The City has issued five series of water and sewer combined enterprise system revenue bonds for various water and sewer infrastructure projects in the aggregate principal amount of \$174,350,000, \$149,670,000 of which is currently outstanding. Certain net receipts of the City's water and sewer system are pledged to secure these bonds. Debt service requirements on these bonds through the final maturity in the fiscal year ending June 30, 2040 total \$224,691,292, and debt service requirements on these bonds for the fiscal year ending June 30, 2017 total \$11,701,140.

The City has received State revolving loans and State bond loans for the installation of aerators, sludge handling equipment, a centrifuge, an incinerator and most recently for expansion and upgrade of the regional Eastside Waste Water Treatment Plant in connection with the City's sanitary sewer system. Certain net receipts of the City's water and sewer system are pledged to secure these loans. Debt service requirements through the final maturity in the fiscal year ending June 30, 2030 total \$5,490,396, and debt service requirements for the fiscal year ending June 30, 2017 total \$1,029,601.

DEBT OUTLOOK

The City evaluates future capital needs on a continuing basis and new general obligation bond authorizations to accommodate priority public improvements will be considered as needed.

The City has evaluated future storm water infrastructure needs on a priority basis. The City plans to fund these capital projects through utility revenue bonds expected to total approximately

\$50 million over the next five years. The City expects to issue not to exceed \$25 million of revenue bonds in May 2017 to finance a portion of these projects.

In addition, the City continues to evaluate its water and sewer infrastructure needs on a priority basis. The City intends to fund these capital projects through utility revenue bonds totaling approximately \$96 million over the next five years. The City expects to issue not to exceed \$40 million of revenue bonds in May 2017 to finance a portion of these projects.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended June 30,			
	2013	2014	2015	2016 ³
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$ 7,236,973,161	\$ 7,434,609,523	\$ 7,247,442,751	\$ 7,335,926,256
Personal Property	1,501,465,603	1,489,840,190	1,555,428,785	1,549,285,102
Public Service Companies ²	<u>148,989,146</u>	<u>128,387,727</u>	<u>126,857,380</u>	<u>140,281,138</u>
Total Assessed Valuation	\$ 8,887,427,910	\$ 9,052,837,440	\$ 8,929,728,916	\$ 9,025,492,496
Rate per \$100	0.675	0.675	0.664	0.650
Levy	\$ 60,356,131	\$ 61,508,088	\$ 59,711,713	\$ 58,665,701

¹ Percentage of assessed value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by North Carolina Property Tax Commission.

³ Estimated.

Note 1: The revaluation of real property became effective with the July 1, 2012 tax levy. The next revaluation of real property will become effective with the July 1, 2017 tax levy.

Note 2: The estimated 2016-17 assessed valuation is \$9,125,801,713; tax rate \$.6475 per \$100.

TAX COLLECTIONS

<u>Fiscal Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2013	\$1,322,827	\$58,559,431	97.0%
2014	1,426,565	60,320,711	98.1
2015	999,659	58,958,280	98.7
2016	850,812	56,728,092	96.7

TEN LARGEST TAXPAYERS FOR FISCAL YEAR ENDED JUNE 30, 2016

<u>Name</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
International Markets Centers, LP	Home Furnishings/Showroom	\$308,791,316	3.42%
Ralph Lauren Corporation	Clothing and Distribution	94,723,876	1.05
Blue Ridge Companies	Real Estate	69,212,880	0.77
Thomas Built Buses/Daimler Trucks	Bus Manufacturing	57,438,177	0.64
North State Communications	Communications	55,264,559	0.61
Liberty Property Trust	Real Estate	54,248,621	0.60
Carolina Investors Properties	Real Estate	42,949,700	0.48
LSOP NC LLC	Real Estate	42,242,366	0.47
Samson Marketing	Home Furnishings/Showroom	39,728,089	0.44
Wal-Mart Stores	Retail	<u>39,055,928</u>	<u>0.43</u>
		<u>\$803,655,512</u>	<u>8.90%</u>

2015-16 Budget Commentary

Preliminary financial results for fiscal year ended June 30, 2016 indicate General Fund revenues are approximately 98.7% of budget through June 30, 2016. Total General Fund expenditures for the fiscal year ended June 30, 2016 are approximately 95% of budget as of June 30, 2016. This is in line with recurring fiscal year-end estimates anticipating that revenues will come in at budget and that expenditures have been managed so that they will come in under budget.

The adopted General Fund budget for the fiscal year ended June 30, 2016 included a property tax rate decrease of 1.4¢ as planned concurrently with the strategy adopted by the City Council to shift refuse collection from tax-supported to a fee-based service over a three-year period. The adopted budget for the fiscal year ended June 30, 2016 continued the 3.4 cents dedication of the general tax rate consistent with the adopted capital financing strategy to provide for repayment of general obligation bonds approved by voters in the City in November 2004. The up-front tax increase provided recurring financial resources for efficient issuance of such bonds timed to the cash outlays of the related projects and repayment of the debt service obligations therefrom.

2016-17 Budget Commentary

The adopted General Fund budget for the fiscal year ending June 30, 2017 included a property tax rate decrease of 0.25 cents in the final step of the strategy adopted by the City Council to shift refuse collection from tax-supported to a fee-based service over a three-year period. The adopted budget for the fiscal year ending June 30, 2017 continued the 3.4 cents dedication of the general tax rate consistent with the adopted capital financing strategy to provide for repayment of general obligation bonds approved by voters in the City in November 2004. The up-front tax increase provided recurring financial resources for efficient issuance of such bonds timed to the cash outlays of the related projects and repayment of the debt service obligations therefrom.

Pension Plans

The City participates in the North Carolina Local Governmental Employees' Retirement System and three other pension plans.

North Carolina Local Governmental Employees' Retirement System — The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds,

administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 7.33% of eligible payroll for general employees and 8.00% of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the system.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the System are determined on an actuarial basis.

For information concerning the City's participation in the North Carolina Local Governmental Employees' Retirement System and other pension plans see the Notes to the City's basic financial statements included in Appendix D.

Other Post-Employment Benefits

The City participates in several retirement plans with the largest plan being the Local Governmental Employees' Retirement System. The plan is a cost-sharing, multiple-employer, defined benefit plan established by the State of North Carolina for employees of local government. The City also provides a death benefit to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System. The City does not pay for post-retirement health benefits for its employees, however, retirees may participate in the City's group plan at their own cost. The City has a small OPEB obligation because the City provides retiree access to its group health insurance, thereby providing an implicit subsidy for retiree premiums. For more information on the City's pension plans, see Note 2 in the City's financial statements in Appendix D hereto.

Contingent Liabilities

The City has partial responsibility for the costs of investigation and remediation of contaminated soil and groundwater at its former Riverdale Road landfill site, which was closed in 1994. During the 1980s, a private company had used a site adjacent to the landfill for recycling chemicals, and its operations resulted in soil and groundwater contamination. Groundwater from the adjacent site has commingled with groundwater from the landfill site. In 2008, the City and the Potentially Responsible Parties (PRPs) for the adjacent site entered into a Remedial Action Settlement Agreement with NC Department of Environmental Quality to conduct a joint cleanup of both sites. The City and the other PRPs reached agreement among themselves to share the cleanup costs, with the City responsible for 25% of those costs. The City is unable to estimate the duration or cost of the remediation at this time. Estimated annual operating and maintenance costs are budgeted in the City's Solid Waste Fund.

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.

CONTINUING DISCLOSURE

In the resolution adopted by the City authorizing the issuance of the Bonds, 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 ended 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, beginning with the fiscal year ended June 30, 2016, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year of the City for the type of information included under headings, "The City - Debt Information" and - Tax Information" in this Official Statement (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, 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 of a trustee, 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 above shall be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

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

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

The resolution adopted by the City authorizing the issuance of the Bonds 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 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 has regularly filed its audited financial statements and certain material event notices as required pursuant to its prior continuing disclosure agreements. The City has also filed certain operating data relating to its outstanding debt subject to Rule 15c2-12. However, the City had

previously failed to file certain annual operating data for its water and sanitary sewer systems required to be filed pursuant to its prior continuing disclosure undertakings for certain outstanding combined water and sewer enterprise system revenue bond issues, including water and sanitary sewer rates, fees and charges, customer connections and major water and sewer customers. The City has now filed such operating data with the MSRB for the past five fiscal years. Except as described above, to the best of the City's knowledge, it has complied in all material respects with its previous continuing disclosure undertakings under Rule 15c2-12 for the past five fiscal years.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of 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 E.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by City with certain covenants to comply with the requirements of the Code, regarding, among other matters, the use, expenditure and investment of Bond proceeds and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation. Bond Counsel is also of the opinion that interest on the Bonds will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals; however, such interest will be includable in determining adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations. In addition, in the opinion of Bond Counsel, under existing law, interest on the Bonds will be 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 Bond Counsel expresses no opinion, as a result of ownership or transfer of the Bonds.

Original Issue Discount

_____, as senior managing underwriter of the Bonds, has advised the Commission that the initial public offering prices of the Bonds maturing on March 1, _____ (collectively, the "Discount Bonds") are less than the amounts payable at maturity. An amount not less than the difference between the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) of the Discount Bonds and the amounts payable at maturity constitutes original issue discount. Under existing federal income tax law and regulations, the original issue discount on a Discount Bond is interest not includable in the gross income of an owner who purchases such Discount Bond in the original offering at the initial public offering price thereof and holds it to maturity, and such owner will not realize taxable gain upon payment of such Discount Bond at maturity. Owners who purchase Discount Bonds at a price other than the initial offering price or who do not purchase Discount Bonds in the initial public offering should consult their tax advisors with respect to the consequences of the ownership of such Discount Bonds. An owner who purchases a Discount Bond in the initial offering at the initial offering price and holds such Discount Bond to maturity is deemed under existing federal tax laws and regulations to accrue original issue discount on a constant yield basis under Section 1288 of the Code from the date of original issue. An owner's adjusted basis in a Discount Bond is increased by

accrued original issue discount for purposes of determining gain or loss on sale, exchange or other disposition of such Discount Bond. Accrued original issue discount may be taken into account as an increase in the amount of tax-exempt interest received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond, including in the calculation of adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations, even though there will not be a corresponding cash payment.

Owners and prospective purchasers of Discount Bonds should consult their own tax advisors regarding the calculation of accrued original issue discount for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the ownership or disposition of Discount Bonds.

Original Issue Premium

_____, as senior managing underwriter of the Bonds, has also advised the Commission that the initial public offering prices of the Bonds maturing on March 1, _____ (the "Premium Bonds") are greater than the amounts payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium. In general, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium bond based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a 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 lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period and subtracting such bond premium from the owner's tax basis in the Premium Bond. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners and prospective purchasers of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences in connection with the ownership and disposition of Premium Bonds.

Other Tax Consequences

Ownership or transfer of, or the accrual or receipt of interest on, the Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Owners and prospective purchasers of the Bonds should consult their tax advisors as to any such possible tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

No assurance can be given that future legislation, including amendments to the Code or interpretations thereof, if enacted into law, or certain litigation or judicial decisions, if upheld, will

not contain provisions or produce results which could, directly or indirectly, reduce the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds.

Interest paid on tax-exempt obligations, such as the Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Service.

RATINGS

Moody’s Investors Service, S&P Global Ratings and Fitch Ratings have given the Bonds ratings of Aa1, AAA and AA+, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective organization providing such rating. Certain information and materials not included in this Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC has acted as financial advisor to the City in connection with the issuance of the Bonds. Davenport & Company LLC has provided technical assistance in structuring the Bonds and the escrow fund relating to the Bond to be Refunded and has performed the mathematical computations to determine the amount necessary to be deposited in such escrow fund to pay the redemption price of and interest on the Bonds to be Refunded when due and payable.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (a) the mathematical computations of the adequacy of the maturing principal amounts of the Government Obligations and interest earned thereon, together with any cash in the related escrow fund, to pay all of the principal of and interest on the Bonds to be Refunded as such interest payments become due and the Bonds to be Refunded are redeemed and (b) the mathematical computations supporting the conclusion that the Bonds are not “arbitrage bonds” under Section 148 of the Code are being verified by Bingham Arbitrage Rebate Services, Inc. Bond Counsel will rely on said verification in rendering its opinion as to the exclusion of interest on the Bonds from gross income of the owners thereof for purposes of federal income taxation.

UNDERWRITING

The underwriters for the Bonds are _____¹

Such underwriters 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 such underwriters.

¹Information provided by the 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.

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

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 HIGH POINT, NORTH CAROLINA

By

William S. Bencini, Jr.
Mayor

By

Greg Demko
City Manager

By

Jeffrey A. Moore
Financial Services Director

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act and its ability to service the proposed debt. All general obligation issues are customarily sold 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.

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

Constitutional Provisions

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

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

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

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

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

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

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

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

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

The Local Government Bond Act

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

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

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other

lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

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

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

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

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

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum

period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

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

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

Short-Term Obligations

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

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

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

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

The Local Government Budget and Fiscal Control Act

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

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

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

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

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

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

Major General Fund Revenue Sources

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

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

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
 - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
 - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
 - (c) Certain pollution abatement and resource recovery equipment.

- (d) “Bill and hold” goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
 - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
 - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.
- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use.

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

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

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

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

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

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

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

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

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

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

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

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible

personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

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

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

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.

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the City, lifted from the Comprehensive Annual Financial Report for the City of Highpoint for the fiscal year ended June 30, 2015. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the City's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the City have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of High Point's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter on page i and the City's financial statements, which begin on page 17.

FINANCIAL HIGHLIGHTS

The City is not in what some people have considered a rebound, but we continue to experience numerous positive results from the prolonged economic recovery period in this year's operations. Pleasingly, the City saw increases once again during the fiscal year. The City is financially sound as is evidenced in our results of operations for the fiscal year ended June 30, 2015.

- The assets and deferred outflows of resources for the City of High Point exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by more than \$556 million. The net position for governmental activities increased to almost \$209 million, and business-type net position improved to almost \$348 million.
- As of the close of the current fiscal year, the City of High Point's governmental funds reported combined ending fund balances of \$71,687,992, an increase of \$4,524,376 in comparison with the prior year. Approximately 29 percent of this total amount, or \$20,614,697, is available for spending at the government's discretion in the General Fund. This amount represents over 20 percent of total general fund expenditures for the fiscal year completed.
- The City's coveted general obligation bond rating has not been affected by the turbulence experienced in the last several years within the financial industry and federal treasury practices. The City's rating of AAA from Standard & Poor's as well as the second highest possible ratings of Aa1 from Moody's and of AA+ from Fitch were last reaffirmed in May 2014 when the City last issued general obligation and refunding bonds in late Spring 2014.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 17–19) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 17. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net financial position and changes in them. Readers are encouraged to think of the City's net position—the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources—as one way to measure the City's financial

health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader must also consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including the general administration, police, fire, public services, and parks and recreation departments. Property taxes, sales and occupancy taxes, intergovernmental revenues, along with various Federal and State grants finance most of these activities.
- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's utility systems (water, sewer, electric, solid waste and storm water) and other business-type activities (mass transit and parking facilities) are reported here.
- **Component units**—The City includes one separate legal entity in its report—the High Point ABC Board. Although legally separate, this “component unit” is important because the City appoints the board. The City is not financially accountable for them, even though net profits are distributed to the City.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 20. The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City's two types of funds—governmental and proprietary—use different methods of accounting.

Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the City's other programs and activities—such as the City's fleet services operations.

The City as Trustee

The City is a trustee responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. All of the City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Other Information

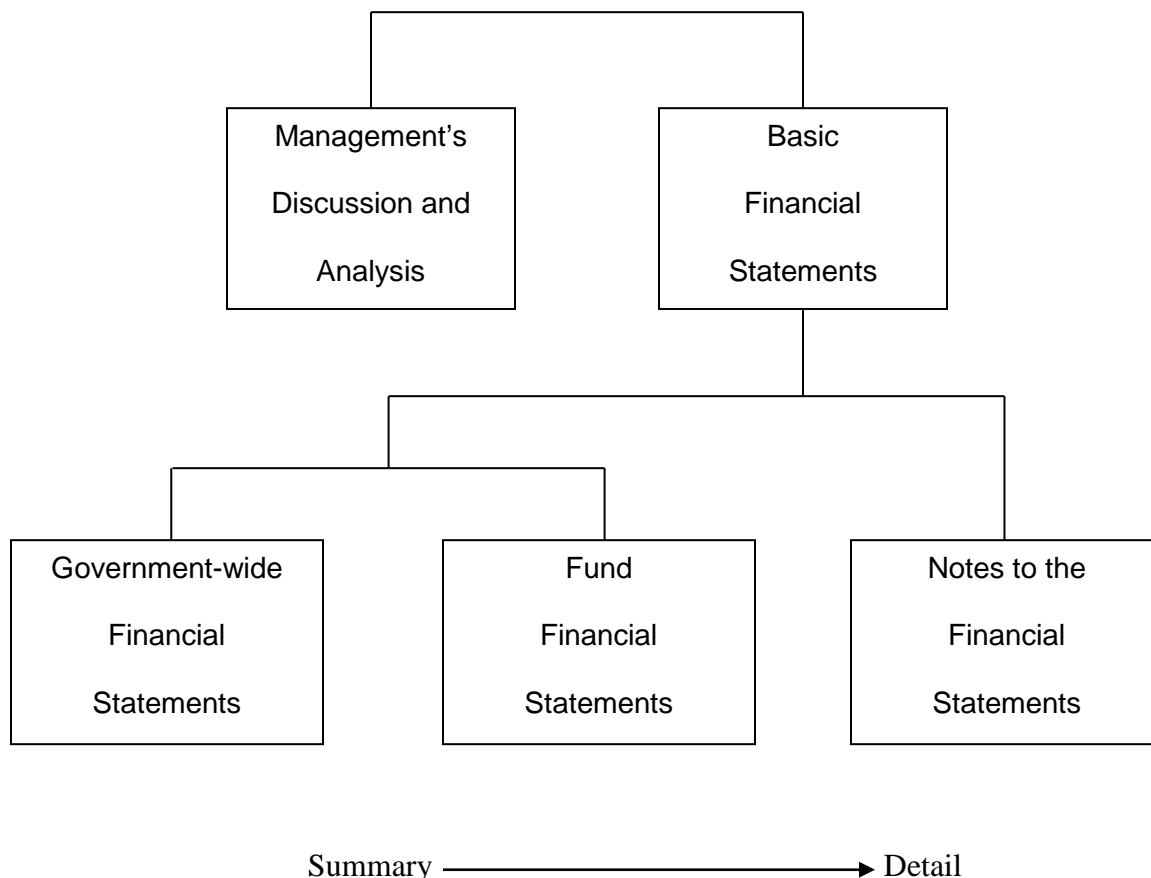
In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide post-employment benefits through the Law Enforcement Officers Special Separation Allowance and other post-employment benefit plans. The purpose of the remaining exhibits is to provide the information needed for financial reporting and accounting of the Law Enforcement Officers Special Separation Allowance plan and the Local Government Employee’s Retirement System plan.

THE CITY AS A WHOLE AND GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended June 30, 2015 are presented in accordance with GASB Statement (GASBS) No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

Required Components of Annual Financial Report

Figure 1



The City's combined net position increased slightly by 1.5% this year to \$556 million from \$548 million. The positive trends for the last three fiscal years have combined for an overall increase of \$29 million (5.5%) from FY2012's total of \$527 million. These results are resounding proof and testament to City Council's fiscal policies, priority-based budgeting, and prudent fiscal management during the prolonged economic recovery that the City is positioning itself as a stronger and leaner unit of local government. Our analysis below focuses on the net financial position (Table 1), and changes in net position (Table 2) of the City's governmental and business-type activities.

Net Position

Total net position for the City increased from \$548 million to over \$556 million during FY2014-2015. As shown below, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$556 million at June 30, 2015. Net position for governmental activities increased slightly as compared to the prior fiscal year. Similarly, the City's business-type activities experienced an increase but on a greater scale when compared to last fiscal year. The most significant factor was realizing revenues which exceeded fiscal controls on expenditures for both governmental and business-type activities.

A large portion of the City's net position (68.3%) at June 30, 2015, represents net investment in capital assets, which are used to provide services to citizens. Net investment in capital assets is reported net of the outstanding related debt; however resources to repay that debt must be provided in future from current revenues. Restricted net position, 6.3% of the City's net position, represents resources that are subject to external restrictions, such as bond-related covenants. Importantly, unrestricted net position increased from \$138.9 million in FY2013-2014 to \$141.5 million in FY2014-2015.

Table 1
Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	Primary Government	2014
Assets						
Current and other assets	\$ 89,023	\$ 84,779	\$200,513	\$213,226	\$289,536	\$298,005
Capital Assets (net)	218,823	220,956	394,525	376,493	613,348	597,449
Total assets	<u>307,846</u>	<u>305,735</u>	<u>595,038</u>	<u>589,719</u>	<u>902,884</u>	<u>895,454</u>
Deferred Outflows						
Deferred Outflows of Resources	2,753	-	1,173	-	3,926	-
Liabilities						
Liabilities and payables	5,818	5,735	22,327	17,840	28,145	23,575
Long-term liabilities	83,730	87,269	217,351	228,027	301,081	315,296
Total liabilities	<u>89,548</u>	<u>93,004</u>	<u>239,678</u>	<u>245,867</u>	<u>329,226</u>	<u>338,871</u>
Deferred Inflows						
Deferred Inflows of Resources	12,322	5,277	8,745	3,322	21,067	8,599
Net Position						
Net investment in capital assets	160,394	160,664	219,482	212,230	379,876	372,894
Restricted	30,687	29,850	4,406	6,300	35,093	36,150
Unrestricted	17,648	16,940	123,900	122,000	141,548	138,940
Total net position	<u>\$208,729</u>	<u>\$207,454</u>	<u>\$347,788</u>	<u>\$340,530</u>	<u>\$556,517</u>	<u>\$547,984</u>

The City will use the unrestricted net position in its business-type activities to finance the continuing operations of the enterprise operations of the City (Water and Sewer, Electric, Mass Transit, Parking, Solid Waste, and Storm Water), and their related capital investments. Unrestricted net position in the governmental activities—the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—increased to \$17,648,381 as compared to \$16,546,064. The City intends to use the unrestricted net position to address future capital budget needs and to provide a resource towards potential deficits which may arise from unfunded governmental mandates and legislative changes. These balances are also used as a tool to leverage the need for future tax increases as the demand for current and enhanced services continues to rise as the City addresses the priorities of its citizens.

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
City Revenues						
Program revenue:						
Charges for services	\$ 13,793	\$ 14,762	\$189,400	\$183,217	\$203,193	\$197,979
Operating grants and contributions	10,454	11,083	5,775	3,819	16,229	14,902
Capital grants and contributions	7,333	6,327	2,675	2,724	10,008	9,051
General revenue:						
Property taxes	59,580	61,232	-	-	59,580	61,232
Sales & occupancy taxes	19,191	17,477	-	-	19,191	17,477
Grants, contributions not restricted to specific programs	11,033	16,232	-	-	11,033	16,232
Other	428	524	1,276	583	1,704	1,107
Total City revenues	<u>121,812</u>	<u>127,637</u>	<u>199,126</u>	<u>190,343</u>	<u>320,938</u>	<u>317,980</u>
City Expenses						
General Government	14,118	20,092	-	-	14,118	20,092
Public safety	46,006	45,488	-	-	46,006	45,488
Public and Environmental Services	20,564	25,038	-	-	20,564	25,038
Planning and Community Development	9,643	10,338	-	-	9,643	10,338
Cultural and Recreation	19,935	20,355	-	-	19,935	20,355
Interest expense and related debt service	2,930	3,385	-	-	2,930	3,385
Water and Sewer	-	-	44,350	46,375	44,350	46,375
Electric	-	-	127,208	125,605	127,208	125,605
Mass Transit	-	-	3,266	3,702	3,266	3,702
Parking	-	-	573	587	573	587
Solid Waste	-	-	13,150	7,106	13,150	7,106
Storm Water	-	-	2,723	2,617	2,723	2,617
Total City expenses	<u>113,196</u>	<u>124,696</u>	<u>191,270</u>	<u>185,992</u>	<u>304,466</u>	<u>310,688</u>
Increase (decrease) in net position before transfers	8,616	2,941	7,856	4,351	16,472	7,292
Transfers in (out)	(2,360)	574	2,360	(574)	-	-
Increase (decrease) in net position	<u>6,256</u>	<u>3,515</u>	<u>10,216</u>	<u>3,777</u>	<u>16,472</u>	<u>7,292</u>
Net position, beginning, as previously reported	207,454	203,170	340,530	337,522	547,984	540,692
Restatement	(4,981)	769	(2,958)	(769)	(7,939)	-
Net position, beginning, as restated	<u>202,473</u>	<u>203,939</u>	<u>337,572</u>	<u>336,753</u>	<u>540,045</u>	<u>540,692</u>
Net position, ending	<u>\$208,729</u>	<u>\$207,454</u>	<u>\$347,788</u>	<u>\$340,530</u>	<u>\$556,517</u>	<u>\$547,984</u>

Revenues and Expenses

The City’s total revenues (excluding transfers and special items) increased nominally 0.9% (\$3.0 million) over the previous fiscal year. Charges for services experienced the greatest year-to-year increase (\$5.2 million) of the increase as the City continued a multi-year phase-in for refuse collection fees which will reduce the burden on the City’s property tax rate in future years. Additionally, the City increased water and sewer rates by 3.0% and electric rates by 1.8%. Property taxes exhibited a modest decrease from the prior year even with a modest growth in property valuation. After being held steady in FY2013-2014, the property tax rate decreased 1.1 cents to 66.4 cents as a result of aforementioned transition to user fees for refuse collection.

The total cost of all programs and services decreased 2.0 percent (\$6.2 million). The City moderated the increased demands for services and the resulting cost to City operations in continued response to the City Council’s leadership to reduce governmental burden on our citizens and ratepayers. Results of operations show that only public safety and wholesale electric costs saw moderate increases when compared to last fiscal year.

Several aspects of the City’s financial operations continue to positively influence the total unrestricted government net position. These are highlighted as follows:

- ◆ The City’s continued high collection of property taxes billed increased to a tax collection rate of 98.7%.
- ◆ The net position for business-type operations increased this year by \$7.3 million as the City increased rates for water and sewer, electric, and refuse collection services. These revenues from utility operations are being utilized to continue efforts to improve and replace the water and sewer, and electric system infrastructure and distribution system while holding the line on operating expenses, with an exception for wholesale power costs, fairly constant. Additionally, the target level of unrestricted net position is being used as part of a strategic capital plan to provide long-term solutions for maintaining the capital investments for the Water and Sewer fund while ultimately moderating future required water and sewer rate increases.

Governmental Activities

Property tax revenues decreased \$1.6 million compared to the prior year, primarily from the 1.1 cent reduction in the property tax rate. Current real and personal property tax collections during fiscal year ended June 30, 2015 were 98.7% of the current levy. Sales and occupancy taxes increased \$1.7 million.

Total governmental expenses decreased \$11.5 million, predominantly due to the transfer of the environmental services function for refuse collection to a business-type activities function. Program revenues provided 27.9% of the support for governmental services.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$ 14,118,353	\$ 7,932,591
Public Safety	46,005,708	43,157,844
Public and Environmental Services	20,563,689	6,373,609
Planning, Community & Economic Development	9,642,625	5,012,504
Cultural and Recreation	19,935,505	16,209,524
Interest on long-term debt	2,929,645	2,929,645
Total	\$ 113,195,525	\$ 81,615,717

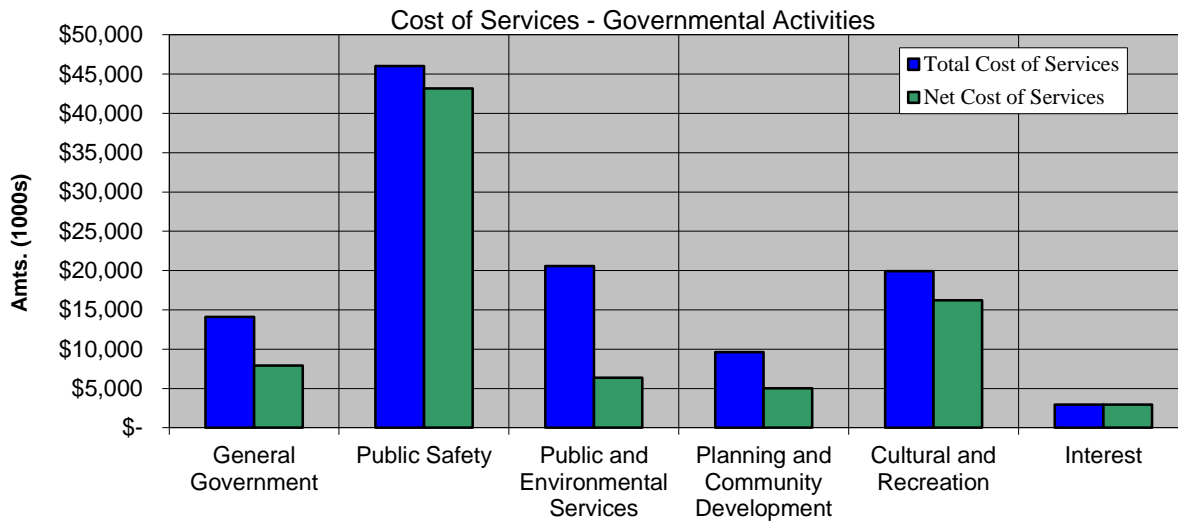


Table 3 presents the cost of each of the City’s programs—general government, public safety, public and environmental services, planning, community and economic development, cultural and recreation—as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

Business-type Activities

Charges for services of the City’s business-type activities (see Table 2) increased \$6.2 million as fees were increased for refuse collection, water and sewer services, and electric rates. City Council continues to implement a multi-year strategy to recover operating costs of refuse collection and reduce related costs previously supported by property taxes. As of July 1, 2014 (fiscal year 2014-2015) the environmental services function was transferred to the newly named Solid Waste Fund (formerly the Landfill Facilities Fund). The Solid Waste Fund is currently provided an operating subsidy through a transfer from the General Fund during this transition.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

Governmental Funds

The focus of the City’s governmental funds is to provide information on current inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of High Point’s financing requirements. Specifically, fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As the City completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$71.7 million, a \$4.5 million increase over the prior fiscal year. Of the total fund balances reported, \$24.2 million was available to finance future expenditures, including \$2.1 million committed formally by City Council for economic development and furniture market development and \$5.3 million assigned for various purposes as explained in the Notes to the Financial Statements (Note 1.F.12).

The General Fund is the primary operating fund of the City of High Point. At the end of the current fiscal year, total fund balance of the General Fund was \$33,629,144. The City Council has determined through formal policy that the City should maintain a minimum available fund balance (that is, total fund balance remaining after removing restrictions, commitments, and previous assignments) of 10% of the General Fund’s expenditures in the event the City had an unforeseen need or opportunity, in addition to providing for cash flow needs. At June 30, 2015, unassigned fund balance amounted to 16.1% of the fiscal year 2015 General Fund budget (exclusive of amounts included in the budget that are assigned and/or restricted for benefits and wellness, and economic and market development).

The 2015-2016 Annual Budget appropriated a total of \$3,088,607 of the reported General Fund’s spendable, unrestricted fund balance to finance operations and capital improvements in the next fiscal year, leaving a balance of unassigned fund balance for future fiscal years of \$16,094,013.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. Generally, budget amendments fall into one of two categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; and 2) increases in appropriations that become necessary to maintain services. However, expenditures were held in check and the City was able to comply with its budgetary requirements.

General Fund Revenues on the Governmental Fund Basis

Revenue Sources	Actual Amount	Percent of Total	(Decrease) from 2014
Property taxes.....	\$ 56,854,252	56.4%	\$ (1,724,079)
Sales and occupancy taxes.....	19,190,749	19.1%	1,713,791
Intergovernmental revenues.....	16,236,355	16.1%	2,009,656
Licenses and Permits.....	3,459,914	3.4%	(268,148)
Charges for services.....	4,509,856	4.5%	(2,268,162)
Interest on investments.....	185,156	0.2%	(68,623)
Miscellaneous revenues.....	314,933	0.3%	(7,061,538)
	<u>\$ 100,751,215</u>	<u>100.0%</u>	<u>\$ (7,667,103)</u>

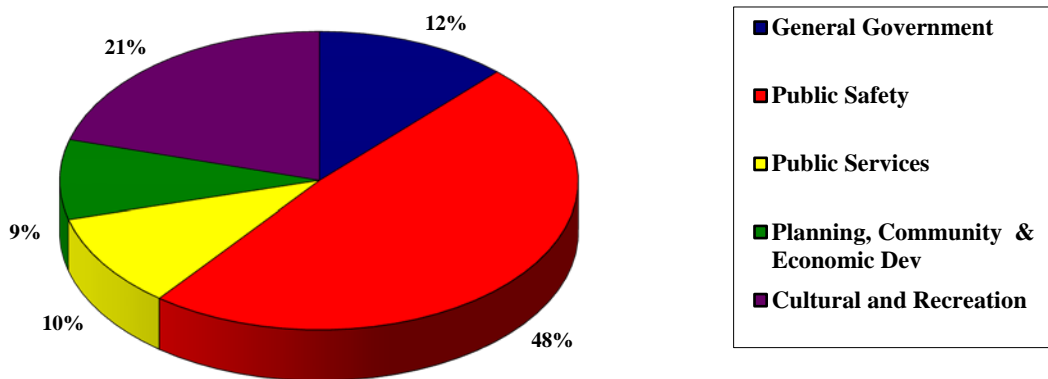
The most significant component in General Fund revenues remains to be property taxes even with the decrease in the property tax rate. The decrease in property tax revenues was offset by increases in sales, occupancy and intergovernmental revenues. Miscellaneous revenue evidenced a large decrease due to the change in accounting for interfund reimbursements from a quasi-external transaction to netting those reimbursements with the related functional expenditures.

The most significant changes in General Fund expenditures when compared to the previous fiscal year occurred in general government and public services. As discussed earlier, the environmental services function for refuse collection was transferred to the enterprise operation of the Solid Waste Fund. General government expenses are now being reported net of interfund reimbursements as highlighted earlier.

General fund revenues recognized positive budget variances for the fiscal year with actual results approaching \$3.2 million above final budget. When added to departmental fiscal control in operating expenditure savings and personnel savings, the City generated a total addition to the general fund fund balance of \$3.4 million.

General Fund Expenditures on the Governmental Fund Basis

Functions	Amount	Percent of Total	Increase (Decrease) from 2014
General Government.....	\$ 10,730,114	12.0%	\$ (4,902,167)
Public Safety	43,429,963	48.6%	798,254
Public Services.....	9,158,959	10.2%	(6,640,565)
Planning, Community and Economic Dev.....	7,703,321	8.6%	164,608
Cultural and Recreation.....	18,412,371	20.6%	248,608
	<u>\$ 89,434,728</u>	<u>100.0%</u>	<u>\$ (10,331,262)</u>



Other Governmental Funds

The General Capital Projects Fund continues to be shown as a major fund in the current fiscal year. This presentation is not required for the FY 2015; however, the City’s decision to show this fund as major is allowed. This is primarily due to the continued level of expenditures anticipated in future years that will require presentation as major. These future planned expenditures are consistent with the capital financing strategy approved by City Council in 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the City had \$1.4 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines and electric infrastructure (See Table 4 below). This amount represents a net increase (including additions and deductions) of \$48.3 million, or 3.5 percent, over last year. The majority of the additions during the fiscal year continue to come from the expenditure of previously issued general obligation and revenue bonds. Additional information on the City’s capital assets can be found in Note 2.A.4. to the financial statements.

Table 4
Capital Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
	Land and land improvements	\$ 18,886	\$ 18,734	\$ 11,913	\$ 11,837	\$ 30,799
Intangibles	317	317	3,529	3,452	3,846	3,769
Construction in progress	2,250	17,846	41,094	22,908	43,344	40,754
Buildings and related improvements	72,750	71,656	106,180	105,876	178,930	177,532
Equipment	70,068	66,616	36,862	36,802	106,930	103,418
Infrastructure	547,292	523,782	495,166	478,146	1,042,458	1,001,928
Total capital assets	<u>\$ 711,563</u>	<u>\$ 698,951</u>	<u>\$ 694,744</u>	<u>\$ 659,021</u>	<u>\$ 1,406,307</u>	<u>\$ 1,357,972</u>

The City's fiscal year 2015-2016 capital pay-as-you-go budget calls for spending another \$16.9 million for capital projects as outlined below, principally for the utility system improvements and infrastructure.

These capital projects are budgeted as follows:

General Fund.....	\$ 1,761,508
Water & Sewer Fund.....	4,759,200
Electric.....	7,126,664
Solid Waste.....	2,365,000
Stormwater.....	818,500
Parking.....	35,000
Total.....	<u>\$ 16,865,872</u>

Debt

At year-end, the City had approximately \$273.5 million in bonds and notes outstanding versus \$287.7 million last year—a decrease of 4.9%—as shown in Table 5.

Table 5
Outstanding Debt
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
	General obligation bonds	\$ 67,954	\$ 73,820	\$ 35,499	\$ 40,365	\$ 103,453
Revenue bonds	-	-	157,975	161,974	157,975	161,974
Notes payable and installment contracts	6,035	3,840	5,998	7,678	12,033	11,518
Total outstanding debt	<u>\$ 73,989</u>	<u>\$ 77,660</u>	<u>\$ 199,472</u>	<u>\$ 210,017</u>	<u>\$ 273,461</u>	<u>\$ 287,677</u>

The City's general obligation bond rating continues to carry high and stable ratings from the three national rating agencies at June 30, 2015. Standard & Poor's rates the City's credit at AAA, the highest available. Moody's and Fitch rate the City's credit at Aa1 and AA+, respectively. The City's bond ratings are a clear indication of the sound financial management practices and solid financial condition of the City of High Point as affirmed by their reports in May 2014. These high financial credit ratings are a primary factor in keeping interest costs low on the City's outstanding debt. The State limits the amount of general obligation debt that cities can issue to 8 percent of the assessed value of all taxable property

within the City's corporate limits. The City's outstanding general obligation debt is significantly below this \$714 million state-imposed limit.

Other obligations include accrued vacation pay, other post-employment benefits, pension liabilities, and closure/post-closure liabilities. More detailed information about the City's long-term liabilities is presented in Note 2.B.9. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015-2016 budget and tax rates that support the governmental activities and fees that will be charged for the business-type activities. Property values for FY2015-2016 were expected to increase nominally by 0.3%. Water and sewer consumption growth was expected to be largely flat for the third year, and electric load growth was projected to be essentially flat for the 7th consecutive year. Inflation in the City continues to be hedged slightly lower than the national Consumer Price Index (CPI) increase. The City's CPI increase was projected to be less than the national rate of 3 percent.

In adopting the Annual Budget for fiscal year 2015-2016, the above-mentioned factors were taken into account. The focus adopted by new City Manager Greg Demko highlighted priorities that addressed the enhancement of livability, transparency, accountability and infrastructure and continue to provide the quality programs and services the City's residents have come to expect and enjoy.

The total General Fund budget appropriates \$102.7 million, which is an increase of 2.2 percent over the adopted 2015 budget of \$100.3 million. Property taxes were reduced 1.4 cents to an approved rate of 65 cents. The City continues to review and evaluate strategic concepts employed during the last five fiscal years to hold operating costs in check. The City utilized this strategy to maintain the high level of quality and services that our citizens, businesses, and visitors enjoy and are accustomed to receiving with a mind to the reality that the City's economy will continue to improve slowly.

The City's business-type activities are also expected to maintain their strength or improve based on the following factors in the adoption of the Annual Budget for fiscal year 2015-2016:

- Water and sewer rates were increased 3.5% as of October 1, 2015 following the needs-based timing from the issuance of Series 2014 revenue bonds. The fund is expected to maintain commitments for pay-as-you-go infrastructure and debt funded projects.
- Electric rates were not increased as there was no wholesale power rate increase.
- The Solid Waste Fund rates for refuse collection were increased from \$8 to \$11 as part of the transition strategy to recover operating costs through user charges.
- Storm Water unit rates were increased from \$2 to \$3 as of July 1, 2015 to fully provide for the debt service for the outstanding storm water GO bonds.
- There were no rate increases for the Mass Transit and Parking Facilities funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money received. If you have questions about this report or need additional financial information, contact the Financial Services Department, City of High Point, P.O. Box 230, High Point, NC 27261-0230.

Financial Information

Financial Statements

The financial statements of the City have been audited by certified public accountants for the fiscal years ended June 30, 2015, 2014 and 2013. Copies of these financial statements containing the reports of the independent certified public accountants are available in the office of Mr. Jeff Moore, Finance Officer, Post Office Box 230, High Point, North Carolina 27261, (336) 883-3238.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report twenty-nine times since 1980 including the past twenty-one consecutive years through the fiscal year ended June 30, 2015. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The City believes that the annual financial report for the fiscal year ended June 30, 2016, continues to meet the requirements under the Certificate of Achievement program and will submit it to the GFOA for review.

The City's financial statements are presented under Government Accounting Standards Board Statement No. 34 (GASB 34) model. This model, in addition to presenting the government-wide financial statements which are shown on pages D-3 through D-5 of this official statement, also includes fund and budgetary reporting.

The government-wide financial statements are prepared on the full accrual basis of accounting, which in the past has only been used to report the assets, liabilities, revenues, and expenses of providing enterprise-type services. The government-wide statements as prepared under GASB Statement No. 34 now report capital assets and all long-term obligations, for both its governmental-type and business-type activities. As a result, government officials can now demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the City's ability to manage and estimate its resources. See page D-9 for the presentation of the City's budgetary statement.

The following financial statements are the Basic Financial Statements of the City and the notes thereto, lifted from the Comprehensive Annual Financial Report of the City for the fiscal year ended June 30, 2015.

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CITY OF HIGH POINT, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2015

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-type Activities	TOTAL	HIGH POINT ABC BOARD
ASSETS				
Cash and investments.....	\$ 54,501,387	\$ 138,016,714	\$ 192,518,101	\$ 3,123,443
Receivables:				
Taxes (net).....	1,986,865	-	1,986,865	-
Accounts receivable and accrued revenue (net).....	12,461,457	23,344,044	35,805,501	-
Notes (net).....	2,580,043	-	2,580,043	-
Accrued interest.....	40,160	113,686	153,846	-
Internal balances.....	(2,127,422)	2,127,422	-	-
Interfund loan.....	(1,822,920)	1,822,920	-	-
Due from component unit.....	405,108	-	405,108	-
Inventory.....	278,067	6,007,807	6,285,874	1,130,069
Prepaid Items.....	37,153	107,919	145,072	58,614
Restricted Assets:				
Pension asset.....	4,831,999	2,059,483	6,891,482	88,285
Cash and investments.....	15,850,593	26,912,691	42,763,284	-
Capital Assets:				
Land, non-depreciable improvements, and construction in progress....	21,252,615	53,006,620	74,259,235	689,656
Other capital assets, net of related depreciation.....	197,570,539	341,518,825	539,089,364	1,574,573
Total capital assets.....	218,823,154	394,525,445	613,348,599	2,264,229
TOTAL ASSETS	<u>307,845,644</u>	<u>595,038,131</u>	<u>902,883,775</u>	<u>6,664,640</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources.....	2,752,628	1,173,219	3,925,847	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,752,628</u>	<u>1,173,219</u>	<u>3,925,847</u>	<u>-</u>
LIABILITIES				
Accounts payable and accrued expenses.....	3,906,025	19,648,947	23,554,972	903,133
Accrued interest payable.....	704,233	1,462,957	2,167,190	-
Due to City of High Point.....	-	-	-	379,653
Due to other governments.....	-	-	-	17,846
Liabilities payable from restricted assets:				
Accounts payable and accrued expenses.....	966,596	-	966,596	-
Deposits and other liabilities	240,357	1,215,534	1,455,891	-
Long-term liabilities:				
Due in one year.....	10,387,085	11,267,486	21,654,571	-
Due in more than one year.....	73,343,472	206,083,371	279,426,843	-
TOTAL LIABILITIES	<u>89,547,768</u>	<u>239,678,295</u>	<u>329,226,063</u>	<u>1,300,632</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources.....	12,321,678	8,745,080	21,066,758	212,782
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,321,678</u>	<u>8,745,080</u>	<u>21,066,758</u>	<u>212,782</u>
NET POSITION				
Net investment in capital assets.....	160,393,689	219,481,689	379,875,378	2,264,229
Restricted for:				
Stabilization by State Statute.....	13,588,944	-	13,588,944	-
Debt service.....	15,906,134	-	15,906,134	-
Capital projects.....	616,684	4,025,583	4,642,267	-
Grant programs.....	68,215	381,101	449,316	-
Transportation.....	506,779	-	506,779	-
High Point ABC Board Working Capital.....	-	-	-	477,066
Unrestricted.....	17,648,381	123,899,602	141,547,983	2,409,931
TOTAL NET POSITION	<u>\$ 208,728,826</u>	<u>\$ 347,787,975</u>	<u>\$ 556,516,801</u>	<u>\$ 5,151,226</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government.....	\$ 14,118,353	\$ 6,011,896	\$ 44,726	\$ 129,140
Public Safety.....	46,005,708	783,801	2,064,063	-
Public and Environmental Services.....	20,563,689	706,608	6,280,048	7,203,424
Planning/Community and Economic Development.....	9,642,625	3,059,798	1,570,323	-
Cultural and Recreation.....	19,935,505	3,230,789	495,192	-
Interest and Fiscal Charges.....	2,929,645	-	-	-
Total governmental activities.....	<u>113,195,525</u>	<u>13,792,892</u>	<u>10,454,352</u>	<u>7,332,564</u>
Business-type activities:				
Water and Sewer	44,349,559	45,655,004	440,301	2,674,649
Electric.....	127,207,885	129,409,301	546,362	-
Mass Transit.....	3,266,693	1,030,841	4,665,176	-
Parking.....	573,092	322,503	-	-
Solid Waste.....	13,149,700	10,435,520	123,217	-
Stormwater.....	2,722,619	2,546,914	-	-
Total business-type activities.....	<u>191,269,548</u>	<u>189,400,083</u>	<u>5,775,056</u>	<u>2,674,649</u>
Total primary government.....	<u>\$ 304,465,073</u>	<u>\$ 203,192,975</u>	<u>\$ 16,229,408</u>	<u>\$ 10,007,213</u>
Component unit:				
High Point ABC Board.....	\$ -	\$ -	\$ -	\$ -
Total component unit.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Net Revenue (Expense) and Change in Net Position			Component Unit ABC Board
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
Primary Government:				
Governmental activities:				
General Government.....	\$ (7,932,591)	\$ -	\$ (7,932,591)	\$ -
Public Safety.....	(43,157,844)	-	(43,157,844)	-
Public and Environmental Services.....	(6,373,609)	-	(6,373,609)	-
Planning/Community and Economic Development.....	(5,012,504)	-	(5,012,504)	-
Cultural and Recreation.....	(16,209,524)	-	(16,209,524)	-
Interest and Fiscal Charges.....	(2,929,645)	-	(2,929,645)	-
Total governmental activities.....	<u>(81,615,717)</u>	<u>-</u>	<u>(81,615,717)</u>	<u>-</u>
Business-type activities:				
Water and Sewer	-	4,420,395	4,420,395	-
Electric.....	-	2,747,778	2,747,778	-
Mass Transit.....	-	2,429,324	2,429,324	-
Parking.....	-	(250,589)	(250,589)	-
Solid Waste.....	-	(2,590,963)	(2,590,963)	-
Stormwater.....	-	(175,705)	(175,705)	-
Total business-type activities.....	<u>-</u>	<u>6,580,240</u>	<u>6,580,240</u>	<u>-</u>
Total primary government.....	<u>\$ (81,615,717)</u>	<u>\$ 6,580,240</u>	<u>\$ (75,035,477)</u>	<u>\$ -</u>
Component unit:				
High Point ABC Board.....	\$ -	\$ -	\$ -	\$ 251,092
Total component unit.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,092</u>
General revenues:				
Property taxes.....	\$ 59,579,994	\$ -	\$ 59,579,994	\$ -
Sales and use taxes.....	17,050,655	-	17,050,655	-
Occupancy and other local taxes.....	2,140,094	-	2,140,094	-
Revenues and contributions not restricted to specific programs.....	11,032,844	-	11,032,844	1,303
Gain on the disposal of capital assets.....	155,332	635,004	790,336	-
Investment earnings.....	272,801	640,892	913,693	8,336
Total general revenues not including transfers	<u>90,231,720</u>	<u>1,275,896</u>	<u>91,507,616</u>	<u>9,639</u>
Transfers	<u>(2,360,223)</u>	<u>2,360,223</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers.....	<u>87,871,497</u>	<u>3,636,119</u>	<u>91,507,616</u>	<u>9,639</u>
Change in net position.....	6,255,780	10,216,359	16,472,139	241,453
Net position - beginning.....	207,454,152	340,530,121	547,984,273	5,028,135
Restatement.....	(4,981,106)	(2,958,505)	(7,939,611)	(118,362)
Net position - beginning, as restated.....	<u>202,473,046</u>	<u>337,571,616</u>	<u>540,044,662</u>	<u>4,909,773</u>
Net position, ending.....	<u>\$ 208,728,826</u>	<u>\$ 347,787,975</u>	<u>\$ 556,516,801</u>	<u>\$ 5,151,226</u>

CITY OF HIGH POINT, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2015

	Major Funds			Total Governmental Funds
	General Fund	General Capital Projects Fund	Non-Major Governmental Funds	
ASSETS				
Cash and investments.....	\$ 29,269,527	\$ 3,508,981	\$ 16,676,951	\$ 49,455,459
Receivables (net):				
Taxes.....	1,986,865	-	-	1,986,865
Accounts receivable and accrued revenue.....	8,630,840	811,159	2,988,406	12,430,405
Notes and loans, net.....	-	-	2,580,043	2,580,043
Accrued interest.....	26,495	-	13,665	40,160
Due from component unit.....	405,108	-	-	405,108
Prepaid items.....	37,153	-	-	37,153
Restricted assets:				
Cash and investments.....	240,357	14,209,284	1,400,952	15,850,593
TOTAL ASSETS	\$ 40,596,345	\$ 18,529,424	\$ 23,660,017	\$ 82,785,786
LIABILITIES				
Accounts payable and accrued expenses.....	\$ 3,577,553	\$ 21,716	\$ 100,562	\$ 3,699,831
Due to other funds.....	-	507,420	1,315,500	1,822,920
Liabilities payable from restricted assets:				
Accounts payable and accrued expenses.....	-	296,661	669,935	966,596
Deposits and other liabilities.....	240,357	-	-	240,357
TOTAL LIABILITIES	3,817,910	825,797	2,085,997	6,729,704
DEFERRED INFLOWS OF RESOURCES				
Unavailable taxes.....	1,986,865	-	-	1,986,865
Unearned taxes and licenses.....	210,173	-	-	210,173
Unavailable grant receivables.....	843,524	747,341	240,833	1,831,698
Unavailable general receivables.....	108,729	-	135,348	244,077
Unearned grants.....	-	-	95,277	95,277
TOTAL DEFERRED INFLOWS OF RESOURCES	3,149,291	747,341	471,458	4,368,090
FUND BALANCES				
Non Spendable:				
Prepaid items.....	37,153	-	-	37,153
Notes and loans long-term AR.....	-	-	2,580,043	2,580,043
Restricted:				
Stabilization by state statute.....	9,358,903	833,738	3,396,303	13,588,944
Grant programs.....	-	-	68,215	68,215
Transportation.....	506,779	-	-	506,779
Debt service.....	-	-	15,906,134	15,906,134
Capital projects.....	-	14,825,968	-	14,825,968
Committed:				
Economic development.....	2,167,144	-	-	2,167,144
Market development.....	18,042	-	-	18,042
Benefits and Wellness.....	926,426	-	-	926,426
Capital projects.....	-	1,296,580	-	1,296,580
Assigned:				
Subsequent year's expenditures.....	3,088,607	-	768,617	3,857,224
General government.....	80,000	-	-	80,000
Public safety.....	238,180	-	-	238,180
Culture & recreation.....	447,095	-	-	447,095
Planning & economic development.....	110,283	-	-	110,283
Public services and transportation.....	556,519	-	-	556,519
Unassigned	16,094,013	-	(1,616,750)	14,477,263
TOTAL FUND BALANCES	33,629,144	16,956,286	21,102,562	71,687,992
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 40,596,345	\$ 18,529,424	\$ 23,660,017	\$ 82,785,786
Fund balances as reported above				\$ 71,687,992
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				204,603,545
Internal service funds used to allocate costs among the funds are included in the statement of net position.				17,371,229
Internal service funds profit/loss is allocated to the business-type funds in the statement of net position.				(2,127,422)
Some liabilities are not payable in the current period and are therefore not reported in the funds.				(82,570,523)
Contributions to the pension plan in the current year are deferred outflows of resources in the Statement of Net Position				2,670,038
Net pension asset				4,687,018
Pension related deferrals				(11,655,691)
Receivables that are not available to pay for current-period expenditures are reported as deferred inflows in the funds.				4,062,640
Net position of governmental activities				<u>\$ 208,728,826</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund		
Revenues:				
Property taxes.....	\$ 56,854,252	\$ -	\$ 3,006,023	\$ 59,860,275
Sales taxes.....	17,050,655	-	-	17,050,655
Occupancy and other local taxes.....	2,140,094	-	-	2,140,094
Intergovernmental.....	16,236,355	262,593	4,620,609	21,119,557
Licenses and permits.....	3,459,914	-	-	3,459,914
Charges for services.....	4,509,856	-	-	4,509,856
Interest on investments.....	185,156	-	87,645	272,801
Sale of capital assets.....	4,367	-	-	4,367
Administrative reimbursements.....	-	180,000	-	180,000
Miscellaneous.....	310,566	-	588,403	898,969
Total revenues.....	<u>100,751,215</u>	<u>442,593</u>	<u>8,302,680</u>	<u>109,496,488</u>
Expenditures:				
General government.....	10,730,114	-	-	10,730,114
Public safety.....	43,429,963	1,174,088	1,078,094	45,682,145
Public services - transportation.....	8,924,276	1,418,137	1,397,238	11,739,651
Public services - environmental services.....	234,683	-	-	234,683
Community and economic development.....	7,703,321	-	1,959,616	9,662,937
Cultural and recreation.....	18,412,371	111,926	77,447	18,601,744
Debt service:				
Principal retirement.....	435,606	-	6,360,119	6,795,725
Interest and fiscal charges.....	17,716	22,562	2,873,079	2,913,357
Total expenditures.....	<u>89,888,050</u>	<u>2,726,713</u>	<u>13,745,593</u>	<u>106,360,356</u>
Excess (deficiency) of revenue over (under) expenditures	<u>10,863,165</u>	<u>(2,284,120)</u>	<u>(5,442,913)</u>	<u>3,136,132</u>
Other financing sources (uses):				
Federal loan proceeds.....	-	-	1,350,000	1,350,000
Proceeds from installment purchases.....	438,268	-	-	438,268
Transfers in.....	1,160,000	607,968	6,096,812	7,864,780
Transfers in related to payments in lieu of taxes.....	845,007	-	-	845,007
Transfers out.....	(9,871,671)	-	(1,198,339)	(11,070,010)
Total other financing sources (uses).....	<u>(7,428,396)</u>	<u>607,968</u>	<u>6,248,473</u>	<u>(571,955)</u>
Net change in fund balances.....	3,434,769	(1,676,152)	805,560	2,564,177
Fund balances, beginning, as previously presented.....	30,194,375	18,632,438	18,336,803	67,163,616
Prior Period Restatement.....	-	-	1,960,199	1,960,199
Fund balances, beginning, as restated.....	<u>30,194,375</u>	<u>18,632,438</u>	<u>20,297,002</u>	<u>69,123,815</u>
Fund balances, ending.....	<u>\$ 33,629,144</u>	<u>\$ 16,956,286</u>	<u>\$ 21,102,562</u>	<u>\$ 71,687,992</u>

CITY OF HIGH POINT, NORTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental funds	\$	2,564,177
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds; Revenues received in FY 14-15 in the funds but recorded / accrued in FY 13-14 on the Statement of Activities		1,693
Principal payments are reported as decreases in liabilities in the Statement of Net Position, but reported as expenditures in the funds		6,795,725
Capital outlays are reported as increases in assets in the Statement of Net Position, but reported as an expenditure in the funds		2,936,275
Depreciation is recognized as an expense in the Statement of Activities, but is not reported in the funds		(13,461,639)
Infrastructure contributed by developers is considered capital contribution for the Statement of Activities, but is not reported in the funds		7,395,620
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		2,670,038
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		(878,271)
Proceeds from bond, federal loan, and installment purchase issuances is reported as increases in liabilities in the Statement of Activities, but reported as revenue in the funds		(1,788,268)
Gain (loss) on the disposal of capital assets is recorded in the Statement of Activities (excludes internal service fund gain/loss)		(127,511)
Proceeds from the sale of capital assets are included in the Gain/Loss on disposal in the Statement of Activities, but reported as revenues in the funds		(4,367)
Internal service funds are used by management to charge the costs of certain activities, such as facilities maintenance, fleet services and telecommunications to individual funds. The net revenue (expense) of the internal service funds is allocated and reported with governmental activities in the Statement of Activities.		997,821
Eliminations of capital contributions between the internal service fund and governmental funds are shown in the Statement of Activities		(192,196)
Internal service funds current year profit/loss is allocated to the business-type funds in the Statement of Activities		(653,317)
Change in net position of governmental activities	\$	<u><u>6,255,780</u></u>

CITY OF HIGH POINT, NORTH CAROLINA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budget		Actual	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes.....	\$ 57,618,921	\$ 57,618,921	\$ 56,854,252	\$ (764,669)
Sales taxes.....	20,393,009	20,393,009	17,050,655	(3,342,354)
Occupancy and other local taxes.....	1,802,000	1,857,000	2,140,094	283,094
Intergovernmental.....	8,551,022	8,551,022	16,236,355	7,685,333
Licenses and permits.....	3,386,800	3,416,800	3,459,914	43,114
Charges for services.....	5,210,606	5,210,606	4,509,856	(700,750)
Interest on investments.....	180,000	180,000	185,156	5,156
Sale of capital assets.....	-	-	4,367	4,367
Miscellaneous.....	329,000	329,000	310,566	(18,434)
Total revenues.....	<u>97,471,358</u>	<u>97,556,358</u>	<u>100,751,215</u>	<u>3,194,857</u>
Expenditures:				
General government.....	12,352,297	13,412,982	10,898,079	2,514,903
Public safety.....	43,912,244	44,052,513	43,665,320	387,193
Public services - transportation.....	9,953,815	11,154,295	8,924,276	2,230,019
Public services - environmental services.....	231,590	236,085	234,683	1,402
Community and economic development.....	8,045,398	8,086,439	7,703,321	383,118
Cultural and recreation.....	19,148,431	19,579,522	18,412,371	1,167,151
Total expenditures.....	<u>93,643,775</u>	<u>96,521,836</u>	<u>89,838,050</u>	<u>6,683,786</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,827,583</u>	<u>1,034,522</u>	<u>10,913,165</u>	<u>9,878,643</u>
Other financing sources (uses):				
Proceeds from installment purchases.....	-	438,268	438,268	-
Transfers in.....	1,160,000	1,160,000	1,160,000	-
Transfers in related to payment in lieu of taxes	845,007	845,007	845,007	-
Transfers out.....	(10,035,165)	(10,452,593)	(9,921,671)	530,922
Appropriated fund balance.....	4,202,575	6,974,796	-	(6,974,796)
Total other financing sources (uses).....	<u>(3,827,583)</u>	<u>(1,034,522)</u>	<u>(7,478,396)</u>	<u>(6,443,874)</u>
Net change in fund balance.....	<u>\$ -</u>	<u>\$ -</u>	<u>3,434,769</u>	<u>\$ 3,434,769</u>
Fund balances, beginning.....			<u>30,194,375</u>	
Fund balances, ending.....			<u>\$ 33,629,144</u>	

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2015

	Major Funds	
	Business-type Activities -Enterprise Funds	
	WATER AND SEWER	ELECTRIC
ASSETS		
Current assets		
Cash and investments.....	\$ 49,092,132	\$ 43,771,818
Receivables:		
Accounts and grants (net).....	5,272,028	16,402,089
Accrued interest.....	40,503	37,699
Inventory.....	-	5,906,672
Prepaid expenses.....	-	-
Total current assets	54,404,663	66,118,278
Noncurrent assets		
Restricted assets:		
Cash and investments.....	24,725,538	920,471
Net pension asset.....	715,902	702,535
Due from other funds.....	-	1,315,500
Interfund loan receivable.....	-	-
Capital assets:		
Land.....	7,565,562	758,364
Buildings and other improvements.....	73,970,490	154,965
Equipment.....	13,248,638	14,870,565
Infrastructure.....	368,154,527	111,264,702
Intangibles.....	-	3,529,311
Construction in progress.....	33,763,157	5,716,039
Less accumulated depreciation.....	(187,894,515)	(80,537,948)
Total capital assets (net of accumulated depreciation).....	<u>308,807,859</u>	<u>55,755,998</u>
Total noncurrent assets.....	<u>334,249,299</u>	<u>58,694,504</u>
Total Assets	388,653,962	124,812,782
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources.....	407,826	400,211
Total Deferred Outflows of Resources	407,826	400,211
LIABILITIES		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses.....	6,027,597	12,785,098
Current maturities of long-term debt.....	9,770,794	-
Current maturities of compensated absences.....	361,161	320,461
Accrued interest payable.....	1,329,853	-
Deposits.....	289,903	920,471
Total current liabilities	17,779,308	14,026,030
Noncurrent liabilities		
Accrued closure/postclosure costs.....	-	-
Loans payable.....	5,084,386	-
Other post employment benefits accrual.....	753,933	729,474
General obligation bonds payable.....	18,819,120	-
Revenue bonds payable.....	153,999,950	-
Obligation under installment purchases.....	-	-
Compensated absences.....	99,054	135,983
Total Noncurrent liabilities	178,756,443	865,457
Total Liabilities	196,535,751	14,891,487
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources.....	2,892,803	2,130,690
Total Deferred Inflows of Resources	2,892,803	2,130,690
NET POSITION		
Net Position		
Net investment in capital assets.....	144,456,750	55,755,998
Restricted for capital projects.....	4,025,583	-
Restricted for grant programs.....	-	-
Unrestricted.....	41,150,901	52,434,818
Total Net Position	\$ 189,633,234	\$ 108,190,816

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities -Enterprise Funds		Governmental Activities
	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE	INTERNAL SERVICE FUND
ASSETS			
Current assets			
Cash and investments.....	\$ 45,152,764	\$ 138,016,714	\$ 5,045,928
Receivables:			
Accounts and grants (net).....	1,669,927	23,344,044	31,052
Accrued interest.....	35,484	113,686	-
Inventory.....	101,135	6,007,807	278,067
Prepaid expenses.....	107,919	107,919	-
Total current assets	47,067,229	167,590,170	5,355,047
Noncurrent assets			
Restricted assets:			
Cash and investments.....	1,266,682	26,912,691	-
Net pension asset.....	641,046	2,059,483	144,981
Due from other funds.....	-	1,315,500	-
Interfund loan receivable.....	507,420	507,420	-
Capital assets:			
Land.....	3,588,895	11,912,821	37,740
Buildings and other improvements.....	32,054,336	106,179,791	975,934
Equipment.....	8,743,368	36,862,571	38,687,136
Infrastructure.....	15,746,432	495,165,661	-
Intangibles.....	-	3,529,311	-
Construction in progress.....	1,614,603	41,093,799	-
Less accumulated depreciation.....	(31,786,046)	(300,218,509)	(25,481,201)
Total capital assets (net of accumulated depreciation).....	29,961,588	394,525,445	14,219,609
Total noncurrent assets.....	32,376,736	425,320,539	14,364,590
Total Assets	79,443,965	592,910,709	19,719,637
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources.....	365,182	1,173,219	82,590
Total Deferred Outflows of Resources	365,182	1,173,219	82,590
LIABILITIES			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses.....	836,252	19,648,947	206,194
Current maturities of long-term debt.....	537,464	10,308,258	463,758
Current maturities of compensated absences.....	277,606	959,228	88,620
Accrued interest payable.....	133,104	1,462,957	-
Deposits.....	5,160	1,215,534	-
Total current liabilities	1,789,586	33,594,924	758,572
Noncurrent liabilities			
Accrued closure/postclosure costs.....	14,001,566	14,001,566	-
Loans payable.....	-	5,084,386	-
Other post employment benefits accrual.....	1,073,834	2,557,241	90,138
General obligation bonds payable.....	11,260,412	30,079,532	-
Revenue bonds payable.....	-	153,999,950	-
Obligation under installment purchases.....	-	-	1,201,631
Compensated absences.....	125,659	360,696	20,120
Total Noncurrent liabilities	26,461,471	206,083,371	1,311,889
Total Liabilities	28,251,057	239,678,295	2,070,461
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources.....	3,721,587	8,745,080	360,537
Total Deferred Inflows of Resources	3,721,587	8,745,080	360,537
NET POSITION			
Net Position			
Net investment in capital assets.....	19,268,941	219,481,689	12,554,220
Restricted for capital projects.....	-	4,025,583	-
Restricted for grant programs.....	381,101	381,101	-
Unrestricted.....	28,186,461	121,772,180	4,817,009
Total Net Position	\$ 47,836,503	\$ 345,660,553	\$ 17,371,229
Reconciliation to the Statement of Net Position:			
Net position of enterprise funds		\$ 345,660,553	
Adjustment to reflect the profit/loss distribution of internal service fund activities		2,127,422	
Net position of business-type activities		<u>\$ 347,787,975</u>	

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2015

	Major Funds	
	Business-type - Enterprise Funds	
	WATER AND SEWER	ELECTRIC
Operating revenues		
Charges for services.....	\$ 45,212,709	\$ 129,358,641
Licenses and permits.....	-	-
Intergovernmental.....	408,813	-
Miscellaneous.....	93,726	8,347
Total operating revenues.....	<u>45,715,248</u>	<u>129,366,988</u>
Operating expenses		
Management and administration.....	5,778,581	3,573,650
Maintenance and distribution.....	6,014,987	12,845,918
Power purchases.....	-	103,752,608
Treatment plants.....	9,801,674	-
Other services and charges.....	2,260,290	2,940,357
Depreciation and amortization.....	12,473,759	4,181,452
Total operating expenses.....	<u>36,329,291</u>	<u>127,293,985</u>
Operating income (loss).....	<u>9,385,957</u>	<u>2,073,003</u>
Nonoperating revenues (expenses)		
Interest on investments.....	227,004	198,800
Miscellaneous and other nonoperating.....	13,698	42,313
Interest expense and fiscal charges.....	(8,092,246)	-
Amortization of gain on refunding.....	334,871	-
Intergovernmental revenues.....	31,488	399,204
Developer contributions.....	-	147,158
Gain (loss) on disposal of capital assets.....	(35,948)	(36,299)
Total nonoperating revenues (expenses).....	<u>(7,521,133)</u>	<u>751,176</u>
Income (loss) before capital contributions and transfers	1,864,824	2,824,179
Capital contributions.....	2,674,649	-
Transfers in.....	-	-
Transfers out.....	(97,850)	(1,955,007)
Change in net position.....	<u>4,441,623</u>	<u>869,172</u>
Total net position - beginning, as previously presented.....	186,220,026	108,330,856
Restatement.....	(1,028,415)	(1,009,212)
Total net position - beginning, as restated.....	<u>185,191,611</u>	<u>107,321,644</u>
Total net position - ending.....	<u>\$ 189,633,234</u>	<u>\$ 108,190,816</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type - Enterprise Funds		Governmental Activities
	NON MAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUND
Operating revenues			
Charges for services.....	\$ 13,912,665	\$ 188,484,015	\$ 10,571,499
Licenses and permits.....	406,746	406,746	-
Intergovernmental.....	4,759,644	5,168,457	-
Miscellaneous.....	-	102,073	8,122
Total operating revenues.....	<u>19,079,055</u>	<u>194,161,291</u>	<u>10,579,621</u>
Operating expenses			
Management and administration.....	17,738,592	27,090,823	7,404,803
Maintenance and distribution.....	-	18,860,905	-
Power purchases.....	-	103,752,608	-
Treatment plants.....	-	9,801,674	-
Other services and charges.....	-	5,200,647	-
Depreciation and amortization.....	1,849,904	18,505,115	2,853,275
Total operating expenses.....	<u>19,588,496</u>	<u>183,211,772</u>	<u>10,258,078</u>
Operating income (loss).....	<u>(509,441)</u>	<u>10,949,519</u>	<u>321,543</u>
Nonoperating revenues (expenses)			
Interest on investments.....	215,088	640,892	-
Miscellaneous and other nonoperating.....	16,367	72,378	75,116
Interest expense and fiscal charges.....	(541,158)	(8,633,404)	(3,017)
Amortization of gain on refunding.....	-	334,871	-
Intergovernmental revenues.....	28,749	459,441	-
Developer contributions.....	-	147,158	-
Gain (loss) on disposal of capital assets.....	629,562	557,315	282,843
Total nonoperating revenues (expenses).....	<u>348,608</u>	<u>(6,421,349)</u>	<u>354,942</u>
Income (loss) before capital contributions and transfers	(160,833)	4,528,170	676,485
Capital contributions.....	-	2,674,649	321,336
Transfers in.....	4,498,550	4,498,550	-
Transfers out.....	(85,470)	(2,138,327)	-
Change in net position.....	<u>4,252,247</u>	<u>9,563,042</u>	<u>997,821</u>
Total net position - beginning.....	44,505,134	339,056,016	16,581,675
Restatement.....	(920,878)	(2,958,505)	(208,267)
Total net position - beginning, as restated.....	43,584,256	336,097,511	16,373,408
Total net position - ending.....	<u>\$ 47,836,503</u>	<u>\$ 345,660,553</u>	<u>\$ 17,371,229</u>
Reconciliation to the Statement of Activities:			
Change in net position of enterprise funds		\$ 9,563,042	
Adjustment to reflect the profit/loss distribution of internal service fund activities		653,317	
Change in net position - business-type activities		<u>\$ 10,216,359</u>	

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Major Funds	
	Business-Type - Enterprise Funds	
	WATER AND SEWER	ELECTRIC
Cash Flows From Operating Activities		
Receipts from customers and users.....	\$ 45,424,371	\$ 128,678,101
Receipts from interfund services provided.....	-	-
Payments to employees and related fringe benefits.....	(7,842,491)	(7,564,020)
Payments to suppliers and operating costs.....	(12,820,004)	(115,236,849)
Net Cash provided by Operating Activities	<u>24,761,876</u>	<u>5,877,232</u>
Cash Flows From Non Capital Financing Activities		
Transfers in.....	-	-
Transfers out.....	(97,850)	(1,955,007)
Advances and reimbursements from other funds.....	-	(118,753)
Disaster assistance grants.....	31,488	399,204
Nonoperating grant and miscellaneous.....	13,698	42,313
Reimbursements (to) from other funds.....	-	-
Net Cash provided (used) by Non-Capital Financing activities	<u>(52,664)</u>	<u>(1,632,243)</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	-	-
Capital contributions.....	-	147,158
Principal payments on long-term debt.....	(9,282,509)	-
Interest payments and fiscal charges on long-term debt.....	(8,166,401)	-
Proceeds collected on the sale of capital assets.....	13,402	-
Acquisition and construction of capital assets.....	(27,699,429)	(3,985,378)
Net Cash provided by (used in) Capital and Related Financing Activities	<u>(45,134,937)</u>	<u>(3,838,220)</u>
Cash Flows From Investing Activities		
Interest earned on investments.....	233,391	205,828
Net Cash provided by Investing Activities	<u>233,391</u>	<u>205,828</u>
Net increase (decrease) in cash and investments	(20,192,334)	612,597
Cash and investments at the beginning of the year	94,010,004	44,079,692
Cash and investments at the end of the year	<u>\$ 73,817,670</u>	<u>\$ 44,692,289</u>
Operating income (loss).....	<u>\$ 9,385,957</u>	<u>\$ 2,073,003</u>
Adjustments to reconcile Operating Income (Loss) to		
Net Cash Provided by Operating Activities:		
Depreciation and amortization.....	12,473,759	4,181,452
Pension expense.....	35,992	35,319
Change in net position		
(Increase) decrease in Accounts Receivable.....	(285,530)	(1,247,380)
(Increase) decrease in Inventories.....	-	(189,922)
(Increase) decrease in Prepaid Expenses.....	-	-
Increase (decrease) in Payables and Accrued Expenses.....	3,545,897	824,619
Increase (decrease) in Deposits.....	29,352	116,757
Increase (decrease) in OPEB Liability.....	36,338	39,004
Increase (decrease) in Vacation Leave Accrual.....	(17,364)	2,855
Increase (decrease) in Deferred Outflows of Resources.....		
for Pensions.....	(407,826)	(400,211)
Increase (decrease) in Unearned Revenue.....	(34,699)	441,736
Total adjustments.....	<u>15,375,919</u>	<u>3,804,229</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 24,761,876</u>	<u>\$ 5,877,232</u>
NONCASH FINANCING ACTIVITIES		
Capital assets contributed by developers and other funds.....	<u>\$ 2,674,649</u>	<u>\$ -</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type - Enterprise Funds		Governmental
	NONMAJOR ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND
Cash Flows From Operating Activities			
Receipts from customers and users.....	\$ 18,706,383	\$ 192,808,855	\$ 42,372
Receipts from interfund services provided.....	-	-	10,579,621
Payments to employees and related fringe benefits.....	(7,592,301)	(22,998,812)	(1,561,362)
Payments to suppliers and operating costs.....	(10,662,782)	(138,719,635)	(5,967,391)
Net Cash provided by Operating Activities	451,300	31,090,408	3,093,240
Cash Flows From Non Capital Financing Activities			
Transfers in.....	4,498,550	4,498,550	-
Transfers out.....	(85,470)	(2,138,327)	-
Advances and reimbursements from other funds.....	(476,431)	(595,184)	-
Disaster assistance grants.....	-	430,692	-
Nonoperating grant and miscellaneous.....	16,366	72,377	75,116
Reimbursements (to) from other funds.....	28,749	28,749	-
Net Cash provided (used) by Non-Capital Financing activities	3,981,764	2,296,857	75,116
Cash Flows From Capital and Related Financing Activities			
Proceeds from issuance of long-term debt	-	-	1,492,881
Capital contributions.....	-	147,158	-
Principal payments on long-term debt.....	(1,017,522)	(10,300,031)	(169,978)
Interest payments and fiscal charges on long-term debt.....	(543,112)	(8,709,513)	(3,017)
Proceeds collected on the sale of capital assets.....	697,010	710,412	419,570
Acquisition and construction of capital assets.....	(2,331,041)	(34,015,848)	(3,989,662)
Net Cash provided by (used in) Capital and Related Financing Activities	(3,194,665)	(52,167,822)	(2,250,206)
Cash Flows From Investing Activities			
Interest earned on investments.....	223,557	662,776	-
Net Cash provided by Investing Activities	223,557	662,776	-
Net increase (decrease) in cash and investments	1,461,956	(18,117,781)	918,150
Cash and investments at the beginning of the year	44,957,490	183,047,186	4,127,778
Cash and investments at the end of the year	\$ 46,419,446	\$ 164,929,405	\$ 5,045,928
Operating income (loss).....	\$ (509,441)	\$ 10,949,519	\$ 321,543
Adjustments to reconcile Operating Income (Loss) to			
Net Cash Provided by Operating Activities:.....			
Depreciation and amortization.....	1,849,904	18,505,115	2,853,275
Pension expense.....	32,227	103,538	7,289
Change in net position			
(Increase) decrease in Accounts Receivable.....	(394,406)	(1,927,316)	42,372
(Increase) decrease in Inventories.....	(466)	(190,388)	(12,113)
(Increase) decrease in Prepaid Expenses.....	(425)	(425)	-
Increase (decrease) in Payables and Accrued Expenses.....	(256,297)	4,114,219	(35,193)
Increase (decrease) in Deposits.....	(225)	145,884	-
Increase (decrease) in OPEB Liability.....	59,807	135,149	7,760
Increase (decrease) in Vacation Leave Accrual.....	28,052	13,543	(9,103)
Increase (decrease) in Deferred Outflows of Resources.....			
for Pensions.....	(365,182)	(1,173,219)	(82,590)
Increase (decrease) in Unearned Revenue.....	7,752	414,789	-
Total adjustments.....	960,741	20,140,889	2,771,697
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$ 451,300	\$ 31,090,408	\$ 3,093,240
NONCASH FINANCING ACTIVITIES			
Capital assets contributed by developers and other funds.....	\$ -	\$ 2,674,649	\$ 321,336

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

ASSETS	GENERAL AGENCY FUND	PENSION TRUST FUND
	<u> </u>	<u> </u>
Cash and cash equivalents.....	\$ 309,120	\$ 463,576
Accounts receivable.....	-	-
Accrued interest.....	<u>-</u>	<u>380</u>
 Total assets.....	 <u>309,120</u>	 <u>463,956</u>
 LIABILITIES		
Accounts payable.....	<u>309,120</u>	<u>-</u>
 Total liabilities.....	 <u>309,120</u>	 <u>-</u>
 NET POSITION		
Held in trust for pension benefits and other purposes.....	<u>\$ -</u>	<u>\$ 463,956</u>

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	<u>PENSION TRUST FUND</u>	<u>PRIVATE PURPOSE TRUST FUND</u>
Additions:		
Employer contributions.....	\$ 50,000	\$ -
Investment earnings (net).....	2,016	102
Total additions.....	<u>52,016</u>	<u>102</u>
Deductions:		
Benefits.....	-	914,866
Administrative expenses.....	-	698
Total deductions.....	<u>-</u>	<u>915,564</u>
Change in net position.....	52,016	(915,462)
Net position, beginning of year.....	411,940	915,462
Net position, end of year.....	<u>\$ 463,956</u>	<u>\$ -</u>

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CITY OF HIGH POINT, NORTH CAROLINA

Notes to Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of High Point, North Carolina, and its discretely presented component unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments.

The City's financial statements are prepared in accordance with GAAP. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The following is a summary of the more significant accounting policies established in GAAP and used by the City:

A. Description of Unit and Reporting Entity

The City of High Point is located in the Piedmont area of the State and has a population of 110,638. The City is a municipal corporation which is governed by an elected mayor and an eight-member council and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. As required by GAAP, these financial statements present the City and its component unit, a legally separate entity for which the City is not financially accountable. The discretely presented component unit (City of High Point ABC Board) is reported in a separate column in the City's financial statements in order to emphasize that it is legally separate from the City.

City of High Point ABC Board

The City appoints the members of the ABC Board's governing board. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the City. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements and related information for the ABC Board may be obtained from the entity's administrative offices at City of High Point ABC Board, 201 W. Fairfield Road, High Point, NC 27263.

B. Basic Financial Statements—Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's general administrative, public services, police and fire, parks and recreation, and library are classified as governmental activities. The City's water, sewer, electric, mass transit, parking, solid waste and storm water services are classified as business-type activities.

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

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic

resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—net investment in capital assets; restricted; and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, fire, public services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. Basic Financial Statements—Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

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

The City uses the following fund types:

a. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

1. General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety (police and fire), public works and cultural and recreation.
2. Special Revenue Fund. The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments) that are legally restricted to expenditures for specified purposes. The City maintains two special revenue funds: The Special Grants Fund and The Community Development Fund.
3. General Debt Service Fund. The General Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
4. General Capital Projects Fund. The General Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The General Fund and the General Capital Projects Fund are the major governmental funds.

b. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City maintains six enterprise funds: the Water and Sewer Fund, the Electric Fund, the Mass Transit Fund, the Parking Facilities Fund, the Solid Waste Facilities Fund and the Storm Water Fund. For financial reporting purposes, the Water & Sewer Capital Projects Ordinance Fund, the Water Capital Reserve Fund, the Sewer Capital Reserve Fund, the Mass Transit Capital Reserve Fund, the Landfill Facilities Capital Projects Ordinance Fund, the Landfill Closure and Post-closure Reserve Fund, and the Storm Water Facilities Capital Projects Ordinance Fund have been consolidated with their respective Enterprise Fund.

The Water and Sewer Fund and the Electric Fund are the only major enterprise funds of the City.

c. The City reports the following additional fund types:

1. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. The City has one Internal Service Fund. The components of the Internal Service Fund are Fleet Maintenance, Radio Repair, and Computer Replacement.
2. Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The fiduciary funds of the City are the General Agency Fund and the Pension Trust Fund.

The General Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of the results of operations. The Agency Fund is used to account for the receipts and disbursements of those funds the City holds on behalf of other organizations and specialized purposes not inconsistent with the City's general governmental purposes, including the Police Property Crimes escrow and Historic Preservation Commission.

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit plans, defined contribution plans or other postemployment benefit plans. The City maintains a pension trust fund. The Pension Trust Fund accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retiree system.

The City also maintained a private purpose trust fund for much of the fiscal year ended June 30, 2015. Private-purpose trust funds are used to account for resources legally held in trust under which the trust's principal and income benefit individual, private organizations, or other governments. The City assumed the financial trustee responsibilities of the High Point Firefighters' Pension and Disability Trust as of November 1, 2011. The High Point Firefighters' Pension and Disability Fund accounted for the supplemental pension benefits provided to eligible retired firefighters by the local board of trustees who administer the single-employer, public employee retiree system. The City disbursed the trust funds to a new financial trustee as of May 31, 2015.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB No. 34 sets

forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements. The City may elect to report funds as major even if the minimum criteria set forth by GASB No. 34 is not met due to the public interest of the funds.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (police, fire, public works, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the primary activities of the proprietary funds. For the City of High Point, these operating revenues are charges to customers for sales and services for the Water and Sewer Fund, Electric Fund, Mass Transit Fund, Parking Facilities Fund, the Solid Waste Facilities Fund and the Storm Water Fund. Operating expenses for these enterprise funds include the costs of sales and providing services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes and sales taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is

not susceptible to accrual. At June 30, taxes receivable 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 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.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of High Point because the tax is levied by our respective counties and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Grant revenues that are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

E. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General, Special Revenue, General Debt Service, Enterprise Funds, and Internal Service Funds. All annual appropriations lapse at the fiscal-year end.

Capital Project Funds, including the Enterprise Capital Projects Funds, are budgeted on a project or an annual basis depending on the estimated life of the project. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. A financial plan was adopted by City Council as part of the Annual Budget ordinance approval for the Internal Service Fund operations as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the functional level for the multi-year funds. The City Manager is authorized by the budget ordinance to make unlimited transfers within a fund; however, the governing board must approve any revisions that alter the total expenditures of any fund.

A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of that budget procedure are to be performed.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.

4. The City monitors budget performance through the Budget and Evaluation Office. The office monitors revenues and reviews expenditures against the departmental budget and prepares budget amendments as necessary.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Fund Equity

1. Deposits and Investments

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

State law (G.S. 159-30 (c)) authorizes the City and the ABC Board 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 banker's acceptances; and the North Carolina Capital Management Trust (NCCMT).

The City and the ABC Board'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, an SEC registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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

2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

The financial statements of the enterprise funds have been consolidated to include applicable reserve funds and capital project funds. The assets of these funds are classified as restricted because their use is restricted. The unexpended bond proceeds of Combined Enterprise System Revenue Bonds and General Obligation Bonds issued by the City are classified as restricted assets for the enterprise funds and capital project fund because their use is completely restricted to the purposes for which the bonds were issued. In addition, customer utility deposits in the enterprise funds and surety deposits on erosion control and subdivision requirements in the General Fund are restricted.

City of High Point Restricted Cash and Investments	
Governmental activities	<u>June 30, 2015</u>
General Fund	
Customer deposits	\$ 240,357
General Capital Projects Fund	
Unexpended bond proceeds	14,209,284
Non-major governmental funds	
Unexpended grant receipts	<u>1,400,952</u>
Total governmental activities	<u>15,850,593</u>
Business-type activities	
Water & Sewer Fund	
Customer deposits	289,903
Unexpended bond proceeds	24,435,635
Electric Fund	
Customer deposits	920,471
Non-major enterprise funds	
Customer deposits	5,160
Unexpended bond proceeds	<u>1,261,522</u>
Total business-type activities	<u>26,912,691</u>
Total Restricted Cash and Investments	<u>\$ 42,763,284</u>

4. Ad Valorem Tax Receivable

In accordance with state law (G.S. 105-347 and G.S. 159-13 (a)), the City levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The levy is based on the assessed valuation of property located in the City as of January 1, 2014. Value of personal property is established annually, and by state law, real property must be appraised at least once every eight years. The last revaluation of real property became effective with the 2012 tax levy. The City's current combined tax rate is \$.664. Property taxes are levied July 1, the beginning of the fiscal year, and are due on September 1 (lien date) and payable without penalty or interest until the sixth of January.

On and after January 6, taxes become delinquent; a lien attaches to the property, and a penalty of 2 percent is assessed. On February 1, interest accrues at the rate of .75 percent per month until paid. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

The City has arrangements with Guilford, Randolph, Davidson and Forsyth counties for the billing and collecting of the City's property taxes.

The City is permitted by the general statutes of the State to levy taxes up to \$1.50 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt, and in unlimited amounts for the payment of principal and interest on long-term debt.

The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2015, was \$.63 per \$100, which means that the City has a tax margin of \$.87 per \$100.

5. Allowances for Doubtful Accounts

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

6. Notes Receivable

Notes receivable for the Community Development Fund represent loans made through grant programs that are collectible in future fiscal years and shown net of an allowance for estimated uncollectible accounts.

7. Inventory and Prepaid Items

Inventories of the City are valued at cost (first-in, first-out), which approximates market. Inventories in the internal service and enterprise funds and those of the ABC Board consist of expendable supplies held for consumption. The costs of these inventories are recorded as an expense as the inventories are consumed. The City of High Point ABC Board values its inventory at replacement cost.

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

8. Capital Assets

Capital assets of the City are defined as assets with an initial cost of more than a certain amount and estimated useful life of more than three years. The minimum capitalization cost for all capital assets excluding infrastructure and land is \$5,000. Infrastructure has a capitalization threshold of \$50,000. All land is capitalized, regardless of cost. The City's purchased capital assets are recorded at cost. Donated capital assets are listed at fair value at the time of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network (roads, curbs and gutters, sidewalks, and bridges) that were acquired, contributed by contractors, or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value or materially extend the assets' lives are not capitalized.

Depreciation of capital assets is provided on the straight-line method over their estimated useful lives:

Buildings	25-50 years
Infrastructure	10-40 years
Improvements	10-20 years
Equipment	3-20 years
Computer software	5-10 years

Capital assets in the proprietary funds of the City and of the ABC Board are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to the proprietary fund type operations are recorded at the estimated fair value at the date of donation. Capital assets of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Buildings	20 years
Equipment	10 years
Furniture and fixtures	5 years
Automobiles	7 years

The City evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change

in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the City are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the City are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

9. 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 one item that meets this criterion – contributions made to the pension plan in the 2015 fiscal year.

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

10. Long-term Obligations

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

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

11. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty-seven and one-half (37.5) days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and liability for compensated absences are recorded as the leave is earned. Compensated absences are reported in the governmental funds only if they have matured. The current portion of the accumulated vacation pay has been estimated based on historical trends.

Both the City's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the City nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

12. 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.

- Net investment in capital assets represents the portion of net position associated with nonliquid-capital assets less the outstanding capital asset related debt.
- 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.
- Unrestricted net position represents resources with no externally imposed restrictions on use. While the City has allocated portions of unrestricted net position for various purposes, the City has the unrestricted authority to revisit or alter the allocation with managerial or City Council decision.

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

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

Prepaid items – represents that portion of fund balance in the governmental funds for prepaid items, such as postage and other prepaid expenses.

Loans – represents portion of fund balance that is not an available resource because it represents the year-end balance of loans receivable, 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 which is not available for appropriation under State law (G.S. 159-8(a)). This amount is usually comprised of accounts receivable, interfund receivables that have not been offset by revenues classified as unavailable, and encumbrances as shown in Note 2.B.6.

Restricted for grant programs – portion of fund balance restricted by various granting agencies for expenditures for public safety, planning and community development, and culture and recreation.

Restricted for transportation – portion of fund balance restricted by revenue source for sidewalk and turn lane construction improvements. This amount does not include any balance of unexpended Powell Bill funds which would be disclosed with its own fund balance component.

Restricted for debt service – portion of fund balance of the General Debt Service Fund restricted by revenue source to service the debt service payments of general government debt.

Restricted for capital projects – portion of fund balance restricted by revenue source for certain capital project purposes as defined by applicable bond and other debt instruments.

Committed Fund Balance

This classification of fund balance can only be used for specific purposes as authorized in a formal action prior to the end of the fiscal year utilizing an ordinance or ordinance amendment as approved and imposed by a majority vote by quorum of the City of High Point's City Council (the highest level of decision making authority). Once adopted, the limitation imposed by the ordinance is binding with the force of local law and remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for economic development purposes – portion of fund balance available for appropriation that has been committed by City Council for economic development incentives and reimbursements.

Committed for market development – portion of fund balance available for appropriation that has been committed by City Council for Market Authority development.

Committed for benefits and wellness – portion of fund balance available for appropriation that has been committed by City Council for employee healthcare improvement purposes.

Committed for capital projects – portion of fund balance available for appropriation that has been committed by City Council for specific capital projects.

Assigned Fund Balance

This classification of fund balance has been designated to be used for specific purposes. Fiscal policies formally adopted by the City Council allow the governing body to take informal action through resolution to assign a portion of fund balance for a particular purpose or program and extends similar authority to the City Manager. Assigned fund balances lapse at the end of the fiscal year unless these assignments are extended.

Assigned for subsequent year's expenditures - portion of fund balance that is appropriated in the adopted 2015-2016 budget ordinance that is not already classified in restricted or committed.

Assigned for general government – portion of fund balance that has been budgeted for financial services projects.

Assigned for public safety – portion of fund balance that has been budgeted for High Point Police Community Day activities and future fire truck replacements.

Assigned for culture and recreation - portion of fund balance that has been budgeted for lighting system improvements at the High Point Theatre; portion of fund balance assigned in support of the Baldwin Museum; portion of fund balance that has been budgeted by the City Council for capital improvements at High Point Parks and Recreation Department facilities.

Assigned for planning and economic development – portion of fund balance that has been budgeted by the City Council for enhancements to the base mapping project and marketing for economic development purposes.

Assigned for public services and transportation – portion of fund balance that has been budgeted by the City Council for various future transportation and public services capital projects.

Assigned fund balances	<u>June 30, 2015</u>
Subsequent year's expenditures	\$ 3,857,224
General government (Financial Services)	80,000
Public safety (Police Community Day)	11,180
Public safety (fire vehicle replacement)	227,000
Culture and recreation (Theatre)	26,522
Culture and recreation (Museum)	18,500
Culture and recreation (Parks and Rec.)	402,073
Planning and econ. dev. (Base Mapping)	85,283
Planning and econ. dev. (Economic Development)	25,000
Public services and transportation (Trans.)	294,132
Public services and transportation (Pub. Svcs.)	<u>262,387</u>
Total assigned fund balances	<u>\$ 5,289,301</u>

Unassigned Fund Balance

This is that portion of fund balance which has not been restricted, committed or assigned to specific purposes or other funds. The General Fund is the only fund that reports a positive unassigned fund balance.

The City of High Point has a revenue spending policy for programs and activities with multiple revenue sources. The Financial Services Director will use resources in the following hierarchy: federal funds, state funds, bond and/or installment contract proceeds, local non-City funds, City funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Financial Services Director and City Manager have the authority to deviate from this policy where it is in the best interest of the City.

The City of High Point has also adopted a minimum fund balance policy for the General Fund which provides that the City will maintain an available fund balance at least equal to or greater than 10% of budgeted expenditures.

13. 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 Government 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 High Point's employer contributions are recognized when due and the City of High Point has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

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

G. Revenues, Expenditures and Expenses

1. Grant Revenue

The City recognizes revenues (net of estimated uncollectible amount, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before meeting the eligibility requirements are recorded and reported as deferred revenues.

2. Investment income

The City recognizes investment income from pooled cash and investments as revenues in the individual funds based on the percentage of a fund's average monthly investment in pooled cash and investments to the total average monthly-pooled equity in pooled cash and investments. All investment earnings are allocated and recorded monthly in each individual fund.

3. Interfund Transactions

Interfund transactions are either services provided, reimbursements or transfers. Services that are deemed to be reasonably equivalent in value are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs the cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement, if material. All other interfund transactions are presented as transfers. Transfers within governmental activities and business-type activities are eliminated upon consolidation.

The City also transfers capital assets between funds as needed. These types of transfers are reflected as loss on disposal in the fund making the transfer and capital contributions in the fund receiving the assets.

Also, the ABC Board makes quarterly transfers to the City's General Fund. These transfers represent the City's portion of the Board's surpluses that the ABC Board is required by State statute to distribute to the City. These transactions are considered external transactions – that is, revenues and expenses.

H. Use of Estimates

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

I. Reconciliation of Governmental Funds to Government Wide Activities

The preparation of financial statements requires summarizing certain details reconciling the modified accrual basis of accounting for the governmental funds to the full accrual basis presented for governmental activities. The following liabilities are summarized to the reconciliation in the financial statement:

Accrued interest payable	\$ 704,233
Compensated absences	4,344,041
Installment contracts payable	3,018,947
LEOSSA pension liability	22,901
OPEB liability	5,175,988
Loans payable	1,350,000
General obligation bonds payable	<u>67,954,413</u>
Effect of adding certain liabilities not payable in the current period	<u>\$82,570,523</u>

Note 2. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the City and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's or the ABC Board's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City and the ABC Board, these deposits are considered to be held by the City's and the ABC Board's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City and the ABC Board have no formal policy regarding custodial credit risk for deposits, but rely on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance.

The City and the ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of \$29,245,413 and a bank balance of \$29,869,119. The carrying amount of deposits for the ABC Board was \$3,109,693 and the bank balance was \$3,058,397. Of the bank balances, the City and the ABC Board had \$1,167,495 and \$702,505, respectively, covered by federal depository insurance and the remainder of \$28,701,624 and \$2,355,892, respectively, was covered by collateral held under the pooling method. At June 30, 2015, the City and the ABC Board held petty cash funds of \$45,879 and \$13,750, respectively.

2. Investments

At June 30, 2015, the City's investment balances were as follows:

	Fair Value	Maturity	Rating
U.S. Treasuries & Agencies	\$ 68,873,756	1 to 5 Years	AAA/Aaa
Commercial Paper	5,015,176	var to 2/2/2016	A1P1
NC Capital Management Trust - Cash Portfolio	112,393,738	N/A	AAAm
NC Capital Management Trust - Term Portfolio	20,480,119	0.17 Years	Unrated
	<u>\$ 206,762,789</u>		

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 at least half of the City's investment portfolio to maturities of less than 12 months. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

Credit risk. The City's investment policy limits the City's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of

securities are rated. At June 30, 2015, the investments in the U.S. Treasuries were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investment in the NC Capital Management Trust Cash Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2015. The City's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments permitted under NC General Statutes 159-30 as amended.

Custodial credit risk. For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires all book-entry investment securities to be in the City's name and delivered versus payment to a City-named third-party custodian. Certificated securities are held in the custody of the Financial Services Director.

Concentration of Credit Risk. The City's investment policy places limits on the amount that the City may invest in any one type of security and also any one issuer. There is no limit for direct obligations of the U.S. Treasury or investments in mutual funds certified by the Department of State Treasurer (NCCMT). Securities issued by agencies of the U.S. government are limited to a maximum of 75% of the portfolio and individually limited to 30% concentration to any one government agency. Commercial paper and bankers acceptances may not exceed 30% and 20%, respectively, of the portfolio. Policy also limits investments to 2% of the portfolio for any individual non-governmental issuers. More than 5% of the City's investments are in U.S. Government Agencies which are primarily Federal Home Loan Mortgage Corporation (17.1%), Federal Farm Credit Bank (7.0%), and Federal National Mortgage Association (5.3%) securities.

3. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Statements of Net Position, Governmental Funds Balance Sheet and Proprietary Fund Statement of Net Position, are net of the following allowances for doubtful accounts:

<u>Fund</u>	
General Fund:	
Taxes receivable	\$ 2,460,655
Accounts receivable	<u>1,020,366</u>
Total General Fund	3,481,021
Special Revenue Fund:	
Notes receivable	1,874,383
Water and Sewer Fund:	
Accounts receivable	716,937
Electric Fund:	
Accounts receivable	2,076,285
Mass Transit Fund	
Taxes receivable	249,445
Solid Waste Fund:	
Accounts receivable	253,880
Storm Water Fund:	
Accounts receivable	<u>33,865</u>
Total Allowances	<u><u>\$ 8,685,816</u></u>

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2015, follows:

	Primary Government			
	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land and other nondepreciable capital assets..	\$ 18,733,857	\$ 152,003	\$ -	\$ 18,885,860
Intangibles.....	115,889	-	-	115,889
Construction in progress.....	17,846,381	304,335	15,899,850	2,250,866
Total capital assets not being depreciated	<u>36,696,127</u>	<u>456,338</u>	<u>15,899,850</u>	<u>21,252,615</u>
Capital assets being depreciated				
Buildings and other improvements.....	71,656,296	1,093,599	-	72,749,895
Intangibles.....	200,608	-	-	200,608
Equipment.....	66,615,818	5,542,820	2,090,787	70,067,851
Infrastructure.....	523,782,473	23,509,792	-	547,292,265
Total capital assets being depreciated	<u>662,255,195</u>	<u>30,146,211</u>	<u>2,090,787</u>	<u>690,310,619</u>
Less accumulated depreciation for:				
Buildings and other improvements.....	39,076,323	2,157,040	-	41,233,363
Intangibles.....	97,069	25,885	-	122,954
Equipment.....	42,472,550	4,154,003	1,627,921	44,998,632
Infrastructure.....	396,349,405	10,035,726	-	406,385,131
Total accumulated depreciation	<u>477,995,347</u>	<u>16,372,654</u>	<u>1,627,921</u>	<u>492,740,080</u>
Total capital assets being depreciated (net)....	<u>184,259,848</u>			<u>197,570,539</u>
Governmental activities capital assets, net.....	<u>\$ 220,955,975</u>			<u>\$ 218,823,154</u>
Business-type activities:				
<i>Water & Sewer Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets..	\$ 7,489,267	\$ 76,295	\$ -	\$ 7,565,562
Construction in progress.....	9,919,855	26,785,394	2,942,092	33,763,157
Total capital assets not being depreciated.....	<u>17,409,122</u>	<u>26,861,689</u>	<u>2,942,092</u>	<u>41,328,719</u>
Capital assets being depreciated				
Buildings and other improvements.....	73,970,490	-	-	73,970,490
Equipment.....	13,163,892	163,169	78,423	13,248,638
Infrastructure.....	361,863,214	6,291,313	-	368,154,527
Capital assets being depreciated.....	<u>448,997,596</u>	<u>6,454,482</u>	<u>78,423</u>	<u>455,373,655</u>
Less accumulated depreciation for:				
Buildings and other improvements.....	39,380,427	1,471,383	-	40,851,810
Equipment.....	7,764,784	395,518	29,072	8,131,230
Infrastructure.....	128,304,617	10,606,858	-	138,911,475
Total accumulated depreciation.....	<u>175,449,828</u>	<u>12,473,759</u>	<u>29,072</u>	<u>187,894,515</u>
Total capital assets being depreciated (net)....	<u>273,547,768</u>			<u>267,479,140</u>
Water & Sewer fund capital assets, net.....	<u>\$ 290,956,890</u>			<u>\$ 308,807,859</u>

	Primary Government			
	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
<i>Electric Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets..	\$ 758,364	\$ -	\$ -	\$ 758,364
Construction in progress.....	<u>11,759,663</u>	<u>1,072,540</u>	<u>7,116,164</u>	<u>5,716,039</u>
Total capital assets not being depreciated.....	<u>12,518,027</u>	<u>1,072,540</u>	<u>7,116,164</u>	<u>6,474,403</u>
Capital assets being depreciated				
Buildings and other improvements.....	154,965	-	-	154,965
Intangibles.....	3,451,911	77,400	-	3,529,311
Equipment.....	14,870,565	36,299	36,299	14,870,565
Infrastructure.....	<u>101,349,399</u>	<u>9,915,303</u>	<u>-</u>	<u>111,264,702</u>
Capital assets being depreciated.....	<u>119,826,840</u>	<u>10,029,002</u>	<u>36,299</u>	<u>129,819,543</u>
Less accumulated depreciation for:				
Buildings and other improvements.....	154,965	-	-	154,965
Intangibles.....	1,719,714	452,400	-	2,172,114
Equipment.....	14,600,965	73,757	-	14,674,722
Infrastructure.....	<u>59,880,852</u>	<u>3,655,295</u>	<u>-</u>	<u>63,536,147</u>
Total accumulated depreciation.....	<u>76,356,496</u>	<u>4,181,452</u>	<u>-</u>	<u>80,537,948</u>
Total capital assets being depreciated (net).....	<u>43,470,344</u>			<u>49,281,595</u>
Electric fund capital assets, net.....	<u>\$ 55,988,371</u>			<u>\$ 55,755,998</u>
<i>Mass Transit Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets..	\$ 581,396	\$ -	\$ -	\$ 581,396
Construction in progress.....	<u>31,779</u>	<u>91,359</u>	<u>31,779</u>	<u>91,359</u>
Total capital assets not being depreciated.....	<u>613,175</u>	<u>91,359</u>	<u>31,779</u>	<u>672,755</u>
Capital assets being depreciated				
Buildings and other improvements.....	2,551,942	303,786	-	2,855,728
Equipment.....	5,412,627	21,945	329,061	5,105,511
Infrastructure.....	<u>157,863</u>	<u>-</u>	<u>-</u>	<u>157,863</u>
Capital assets being depreciated.....	<u>8,122,432</u>	<u>325,731</u>	<u>329,061</u>	<u>8,119,102</u>
Less accumulated depreciation for:				
Buildings and other improvements.....	705,190	94,722	-	799,912
Equipment.....	4,878,317	128,265	329,062	4,677,520
Infrastructure.....	<u>-</u>	<u>7,893</u>	<u>-</u>	<u>7,893</u>
Total accumulated depreciation.....	<u>5,583,507</u>	<u>230,880</u>	<u>329,062</u>	<u>5,485,325</u>
Total capital assets being depreciated (net).....	<u>2,538,925</u>			<u>2,633,777</u>
Mass Transit fund capital assets, net.....	<u>\$ 3,152,100</u>			<u>\$ 3,306,532</u>

	Primary Government			
	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
<i>Parking Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets.....	\$ 898,720	\$ -	\$ -	\$ 898,720
Capital assets being depreciated				
Buildings and other improvements.....	8,690,140	-	-	8,690,140
Equipment.....	416,962	-	-	416,962
Capital assets being depreciated.....	9,107,102	-	-	9,107,102
Less accumulated depreciation for:				
Buildings and other improvements.....	6,979,086	241,857	-	7,220,943
Equipment.....	416,962	-	-	416,962
Total accumulated depreciation.....	7,396,048	241,857	-	7,637,905
Total capital assets being depreciated (net).....	1,711,054			1,469,197
Parking fund capital assets, net.....	<u>\$ 2,609,774</u>			<u>\$ 2,367,917</u>
 <i>Solid Waste Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets.....	\$ 1,676,601	\$ -	\$ -	\$ 1,676,601
Construction in progress.....	384,408	761,177	-	1,145,585
Total capital assets not being depreciated.....	2,061,009	761,177	-	2,822,186
Capital assets being depreciated				
Buildings and other improvements.....	20,508,468	-	-	20,508,468
Equipment.....	2,846,934	806,894	460,882	3,192,946
Capital assets being depreciated.....	23,355,402	806,894	460,882	23,701,414
Less accumulated depreciation for:				
Buildings and other improvements.....	13,656,226	816,084	-	14,472,310
Equipment.....	2,364,030	67,683	398,875	2,032,838
Total accumulated depreciation.....	16,020,256	883,767	398,875	16,505,148
Total capital assets being depreciated (net).....	7,335,146			7,196,266
Solid Waste fund capital assets, net.....	<u>\$ 9,396,155</u>			<u>\$ 10,018,452</u>

	Primary Government			
	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
<i>Storm Water Fund</i>				
Capital assets not being depreciated				
Land and other nondepreciable capital assets...	\$ 432,178	\$ -	\$ -	\$ 432,178
Construction in progress.....	<u>813,084</u>	<u>377,659</u>	<u>813,084</u>	<u>377,659</u>
Total capital assets not being depreciated.....	<u>1,245,262</u>	<u>377,659</u>	<u>813,084</u>	<u>809,837</u>
Capital assets being depreciated				
Equipment.....	91,131	-	63,182	27,949
Infrastructure.....	<u>14,775,485</u>	<u>813,084</u>	<u>-</u>	<u>15,588,569</u>
Capital assets being depreciated.....	<u>14,866,616</u>	<u>813,084</u>	<u>63,182</u>	<u>15,616,518</u>
Less accumulated depreciation for:				
Equipment.....	85,689	-	57,740	27,949
Infrastructure.....	<u>1,636,318</u>	<u>493,400</u>	<u>(1)</u>	<u>2,129,719</u>
Total accumulated depreciation.....	<u>1,722,007</u>	<u>493,400</u>	<u>57,739</u>	<u>2,157,668</u>
Total capital assets being depreciated (net).....	<u>13,144,609</u>			<u>13,458,850</u>
Storm water fund capital assets, net.....	<u>14,389,871</u>			<u>14,268,687</u>
Business-type activities capital assets, net...	<u>\$ 376,493,161</u>			<u>\$ 394,525,445</u>

During the fiscal year, assets were transferred between governmental activities in the amount of \$326,140 (with accumulated depreciation of \$194,262). There were also transfers from business-type activities to governmental activities in the amount of \$63,182 (with accumulated depreciation of \$57,740.)

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

Governmental activities:	
General Government	\$ 3,836,383
Public Safety.....	839,193
Public Services and Transportation.....	10,146,677
Culture and Recreation.....	<u>1,492,661</u>
Total governmental activities depreciation expense	<u>\$ 16,314,914</u>
Business-type activities:	
Water and Sewer.....	\$ 12,473,759
Electric.....	4,181,452
Mass Transit.....	230,880
Parking Facilities.....	241,857
Solid Waste.....	883,767
Storm Water Facilities.....	<u>493,400</u>
Total business-type activities depreciation expense	<u>\$ 18,505,115</u>

A summary of capital assets for the ABC Board at June 30, 2015 follows:

	<u>Assets</u>
Land and buildings	\$ 3,601,807
Equipment	999,168
Leasehold improvements	38,779
Accumulated depreciation	<u>(2,375,525)</u>
Total ABC Board	<u>\$ 2,264,229</u>

B. Liabilities

1. Accounts payable and accrued expenses as of June 30, 2015, consisted of the following:

	<u>Accounts Payable</u>	<u>Accrued Payroll and expenses</u>	<u>Total</u>
Governmental Activities			
General	\$ 929,759	\$ 2,647,794	\$ 3,577,553
General Capital Projects	21,716	-	21,716
Other non-major governmental funds .	70,337	30,225	100,562
Internal Service Fund	<u>149,478</u>	<u>56,716</u>	<u>206,194</u>
Total governmental	<u>1,171,290</u>	<u>2,734,735</u>	<u>3,906,025</u>
Business-Type Activities			
Water and Sewer	4,868,532	1,159,065	6,027,597
Electric	12,480,904	304,194	12,785,098
Other non-major enterprise funds	<u>366,011</u>	<u>470,241</u>	<u>836,252</u>
Total enterprise funds	<u>17,715,447</u>	<u>1,933,500</u>	<u>19,648,947</u>
Total Primary Government	<u>\$ 18,886,737</u>	<u>\$ 4,668,235</u>	<u>\$ 23,554,972</u>

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The City of High Point is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 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 High Point 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 High Point'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 High Point were \$4,695,437 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 \$6,891,482 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, 2014, the City's proportion was 1.16855%, which was a decrease of 0.0378% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$346,463. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 753,014
Net difference between projected and actual earnings on pension plan investments	-	16,043,210
Changes in proportion and differences between City contributions and proportionate share of contributions	-	341,531
City contributions subsequent to the measurement date	3,925,847	-
Total	<u>\$ 3,925,847</u>	<u>\$ 17,137,755</u>

\$3,925,847 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:

Year ended June 30:

2016	\$ (4,285,125)
2017	(4,285,125)
2018	(4,285,125)
2019	(4,282,380)
2020	-
Total	<u>\$ (17,137,755)</u>

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, including inflation 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Total	100%	

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%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 23,392,663	\$ (6,891,482)	\$(32,389,749)

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.

b. Law Enforcement Officers’ Special Separation Allowance

1. Plan Description.

The City of High Point 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 does not issue a stand-alone financial report. The Separation Allowance is presented as a pension trust fund as it does not meet the criteria for trust funds outlined in GASB Statement No. 68. Financial and trend information is presented as required supplementary information following these notes.

The Separation Allowance covers all full-time law enforcement officers of the City. At December 31, 2014, the Separation Allowance’s membership consisted of:

Retirees currently receiving benefits.....	40
Active plan members.....	<u>228</u>
Total.....	<u>268</u>

2. Summary of Significant Accounting Policies.

Basis of Accounting. The City has chosen to fund the Separation Allowance on a pay-as-you-go basis. The City’s contributions are recognized in the period when due. In addition, the City has elected to partially pay the future overall cost of coverage for these benefits. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with terms of the Separation Allowance.

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. In addition to providing pay-as-you-go funds to pay current benefits and administrative costs, funds are also being set aside to pay benefits and administration costs in future years. Expenditures currently are being paid as they become due. Investments are valued at market which approximates cost.

3. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The City’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City contributed \$50,000 during the fiscal year ended June 30, 2015 toward the reduction of the accrued actuarial liability. There were no contributions made by employees.

The annual required contribution for the current fiscal 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) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The Separation Allowance’s 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 seventeen years. The assumptions did not include postemployment benefit increases.

4. Annual Pension Cost and Net Pension Obligation/(Asset).

The City’s annual pension cost and net pension obligation/(asset) to the Separation Allowance for the current year were as follows:

Annual required contribution.....	\$ 891,139
Interest on net pension asset.....	(4,630)
Adjustment to annual required contribution.....	<u>7,822</u>
Annual pension cost.....	894,331
Contributions made.....	<u>778,834</u>
Increase in net pension obligation.....	115,497
Net pension obligation (asset), beginning of year.....	<u>(92,596)</u>
Net pension obligation (asset), end of year.....	<u><u>\$ 22,901</u></u>

3-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
6/30/2013	\$ 683,778	110.02%	\$ (75,161)
6/30/2014	732,962	102.38%	(92,596)
6/30/2015	894,331	87.09%	22,901

5. Funded Status and Funding Progress.

As of December 31, 2014, the most recent actuarial valuation date, the plan was 5.57% funded. The actuarial value of the plan assets was determined using current market value as these assets were invested in securities of the NCCMT Cash Portfolio, an SEC registered (2a-7) money market mutual fund, which maintains a \$1 NAV. The actuarial accrued liability for benefits was \$7,838,820, and the actuarial value of assets was \$436,993, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,401,827. The covered payroll (annual payroll of active employees covered by the plan) was \$13,241,713 and the ratio of the UAAL to the covered payroll was 55.90%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the

actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan for Law Enforcement Officers (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Plan is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Plan. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent of each law enforcement officer's salary, and all amounts contributed are vested immediately. In addition, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2015 were \$886,489, which consisted of \$639,872 from the City and \$246,617 from the law enforcement officers.

d. Firefighter's and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of High Point, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The City does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2014, the State contributed \$14,627,000 to the plan. The City of High Point's proportionate share of the State's contribution is \$59,527.

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

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

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the City and supported by the State was \$111,628. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability 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 liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the City recognized pension expense of \$41,968 and revenue of \$41,968 for support provided by the State. At June 30, 2015, the City reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

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.

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.

e. Other Post-employment Benefits-Health Care Benefit Plan

Plan Description. Under the terms of a City resolution, the City administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The City provides continuation of medical insurance coverage to employees who retire under the North Carolina Local Governmental Employees' Retirement System (NCLGERS) eligibility terms at the same time they end their continuous service to the City. The retiree and his or her spouse may elect to receive this coverage until the participant becomes Medicare-eligible. The retiree assumes the full blended premium of the healthcare coverage plan as may be renegotiated and adjusted periodically. The City Council may amend the HCB Plan in its discretion. A separate report was not issued for the HCB Plan.

The ABC Board administers its own single employer defined benefit healthcare plan (the Retiree Health Plan) which provides its retirees who have a minimum 25 completed years of service to the ABC Board and who are not eligible for Medicare benefits the opportunity to remain enrolled in its group health insurance plan. The ABC Board pays the full cost of coverage for those benefits through private insurance. A separate report was not issued for the ABC Board's Plan.

Membership of the HCB Plan and in the ABC Board's Retiree Health Plan at December 31, 2014, the date of the latest actuarial valuations consisted of the following:

	<u>City</u>	<u>ABC Board</u>
Active Employees	1,342	23
Retired Employees	87	4
Total	<u>1,429</u>	<u>27</u>

Funding Policy. The City currently pays for postemployment healthcare benefits on a pay-as-you-go basis. Retirees contribute the full blended premium of the healthcare coverage plan to the City as may be renegotiated and adjusted periodically. Although the City is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume the pay-as-you-go method will continue.

The current annual required contribution (ARC) rate is 1.78% of annual covered payroll. For the current year, the City contributed \$584,110, including retiree contributions, or 0.87% of annual covered payroll. The City obtains healthcare coverage through private insurers. There were no contributions made by employees and retirees contributed \$768,193 during the fiscal year. The City's obligation to contribute to the HCB Plan is established and may be amended by the City Council.

The ABC Board currently pays for postemployment healthcare benefits on a pay-as-you-go basis based upon Board resolution. In the fiscal year ended June 30, 2015, the ABC Board contributed \$48,516 to its Plan.

Summary of Significant Accounting Policies. Postemployment expenditures are made from the General Fund and the proprietary funds, which are maintained on the modified accrual basis of accounting in accordance with State law. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

For the ABC Board, postemployment expenditures are made from the Board's General Fund which is maintained on the modified accrual basis of accounting in accordance with State law. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

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

insurance premiums for retirees and covered spouses totaled \$959,314 which, when coupled with the actuarially determined implicit subsidy of \$392,989 for the purpose of determining the Net OPEB Obligation, resulted in a net increase in the OPEB obligation of \$442,340 as of June 30, 2015. The ABC Board's OPEB cost (expense) is also calculated based on the ARC for the current year as actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

	City	ABC Board
Annual required contribution (ARC)	\$1,013,256	\$30,313
Interest on net OPEB obligation	295,241	(735)
Adjustment to ARC	(282,047)	702
Annual OPEB Cost (pay-as-you-go)	1,026,450	30,280
Contributions made	(584,110)	(48,516)
Increase in net OPEB obligation	442,340	(18,236)
Net OPEB obligation, beginning of year	7,381,027	(18,378)
Net OPEB obligation, end of year	<u>\$7,823,367</u>	<u>(\$36,614)</u>

Trend information being accumulated for the City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

3-Year Trend Information			
For Year Ended	Annual OPEB	Percentage of	Net OPEB
June 30	Cost	Annual OPEB Cost Contributed	Obligation
2013	\$ 1,154,731	46.55%	\$ 6,373,915
2014	1,154,731	12.78%	7,381,027
2015	1,026,450	56.91%	7,823,367

Funded Status and Funding Progress. As of December 31, 2014, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$8,286,088. The covered payroll (annual payroll of active employees covered by the plan) was \$66,790,965, and the ratio of the UAAL to the covered payroll was 12.4%.

The ABC Board's Plan was not funded as of June 30, 2015. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$433,675. The covered payroll (annual payroll of active employees covered by the plan) was \$834,156, and the ratio of the UAAL to the covered payroll was 52%.

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

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

In the December 31, 2014 actuarial valuation for the HCB Plan and the December 31, 2013 actuarial valuation for the ABC Board's Retiree Health Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent to 2019. Both rates included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was 30 years.

3. Other Employment Benefit

The City has also elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months before the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants.

The City has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other employment benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The City considers these contributions to be immaterial.

4. Closure and Postclosure Care Costs - Kersey Valley Landfill Facilities

State and federal laws and regulations require the City to place a final cover on its Kersey Valley Landfill Facilities when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$14,001,566 reported as landfill closure and postclosure care liability at June 30, 2015 represents a cumulative amount reported to-date based on the two existing lined municipal solid waste landfill units – Area 1 (Phases 1, 2, 3 and 3A) and Area 2 (Phases 4, 5A, and 5B). The Area 1 landfill unit is currently near capacity and is currently undergoing partial closure. Phases 4 and 5A of the Area 2 landfill unit are currently active and Phase 5B is currently under construction. The City will recognize the remaining estimated costs of closure and postclosure as new phases are developed. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has met the requirements of a local government financial test that is one option under State and federal laws and regulations that helps determine if a unit is financially able to meet closure and postclosure care requirements.

At June 30, 2015, the City has accumulated \$14,001,566 for future payment of closure and postclosure care costs. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

5. Deferred Outflows and Inflows of Resources

The City's governmental and enterprise funds report deferred expenses in connection with payments made to LGERS during the fiscal year that are not considered to be expenses of the current period. Deferred outflows of resources at year-end is composed of the following:

Deferred Outflows of Resources:		
Governmental activities		<u>June 30, 2015</u>
General Fund		
Contributions to pension plan in current fiscal year	\$ 2,639,306	
Non-major governmental funds		
Contributions to pension plan in current fiscal year	30,732	
Internal Service Fund		
Contributions to pension plan in current fiscal year	82,590	
Total governmental activities	<u>\$ 2,752,628</u>	
Business-type activities		
Water & Sewer Fund		
Contributions to pension plan in current fiscal year	407,826	
Electric Fund		
Contributions to pension plan in current fiscal year	400,211	
Non-major enterprise funds		
Contributions to pension plan in current fiscal year	365,182	
Total business-type activities	<u>\$ 1,173,219</u>	
Total Deferred Outflows of Resources	<u>\$ 3,925,847</u>	

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition of resources that have been received as of the year-end, but are unearned. Deferred inflows of resources for the individual funds at year-end is composed of the elements that follow:

	<u>General Fund</u>	<u>General Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Major Enterprise Funds</u>	<u>Non-Major Enterprise Funds</u>	<u>Internal Service Fund</u>
Prepaid privilege and showroom licenses (unearned).....	\$ 209,296	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous receivables (net) (unavailable).....	108,729	-	135,348	-	-	-
Prepaid property taxes (unearned).....	877	-	-	-	-	-
Taxes receivable (net) (unavailable).....	1,986,865	-	-	-	-	-
Pension deferrals.....	-	-	-	3,527,375	1,594,151	360,537
Grants (unavailable).....	843,524	747,341	240,833	-	-	-
Grants (unearned).....	-	-	95,277	-	-	-
Prepaid utility collections (unearned).....	-	-	-	383,624	-	-
Unamortized gain on refunding bonds.....	-	-	-	1,112,494	156,293	-
Unexpended pond maintenance funds (unearned).....	-	-	-	-	1,971,143	-
Total.....	<u>\$ 3,149,291</u>	<u>\$ 747,341</u>	<u>\$ 471,458</u>	<u>\$ 5,023,493</u>	<u>\$ 3,721,587</u>	<u>\$ 360,537</u>

6. Commitments

Commitments for the purchase of goods and services and for the construction and acquisition of assets are as follows at June 30, 2015:

General Fund	\$ 1,248,713
Special Revenue	770,413
General Capital Projects	769,921
Proprietary Funds	<u>32,733,470</u>
	<u>\$ 35,522,517</u>

Amounts shown above for the General, Special Revenue, and General Capital Project funds represent encumbrances and are components of restricted fund balances as described in Note 1.F.12.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City protects itself from potential loss through a combination of risk-sharing participation, purchase of commercial insurance for primary and/or excess liability coverage and self-insured risk retention. Self-insured risks are primarily for general, professional, flood, law enforcement, vehicle and underground storage tank liabilities.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include amounts for material claims that have been incurred but are not reported (IBNRs), based on actuarial computations. At June 30, 2015, the City did not have any material IBNRs reported in liabilities. Settled claims have not exceeded self-retained or purchased insurance coverage in any of the past three fiscal years and there have been no significant reductions in insurance coverage in the prior year.

The City has several properties located in various "at risk" categories as identified by the Federal Emergency Management Agency. Consequently, the City carries commercial flood insurance for aggregate coverage limits of \$250 million and for several specific properties at \$2 million per structure. Deductibles for specific loss range from \$100,000 to \$500,000 per location and can be covered under the general self-insured arrangements as discussed above.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The Financial Services Director is individually bonded for \$100,000. All other employees that have access to funds are bonded under a blanket bond for \$100,000.

8. Claims and Judgments

At June 30, 2015, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

9. Long-Term Obligations

a. Installment Purchase Contracts

The City has entered into installment purchase agreements to acquire certain equipment. The majority of these contracts are for a five-year term with quarterly or semi-annual payments. The principal sources of funding for these installment financing contracts are the General Fund and Internal Service Fund.

Future annual debt service payments on installment purchase contracts as of June 30, 2015, including interest of \$181,217 is as follows:

Year Ending <u>June 30,</u>	Governmental <u>Activities Principal</u>	Governmental <u>Activities Interest</u>
2016	\$ 1,478,073	\$ 73,315
2017	1,224,331	51,762
2018	918,198	33,512
2019	656,592	17,818
2020	407,142	4,810
TOTAL	\$ 4,684,336	\$ 181,217

b. General Obligation Indebtedness

The City's general obligation bonds serviced by the governmental funds were issued for a variety of eligible purposes as permitted by North Carolina general statutes, including transportation, public safety, recreation, libraries and public buildings. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the enterprise funds and which its resources are retiring is reported as long-term debt in the respective enterprise fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal is payable annually in varying amounts through 2034. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Bonds payable at June 30, 2015 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the governmental funds:

\$14,580,000 Series 2006 Public Improvement bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on March 1 through 2027 with interest semiannually September 1 and March 1 at rates varying between 4.0% - 5.0%	\$ 658,436
\$4,000,000 Series 2007A Public Improvement bonds for transportation, public buildings, and recreation facilities maturing serially on March 1 through 2028 with interest semiannually September 1 and March 1 at rates varying between 4.0% - 4.75%	3,510,000
\$11,800,000 Series 2007B Public Improvement bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on March 1 through 2028 with interest semiannually September 1 and March 1 at rates varying between 4.0% - 5.0%	9,609,724
\$10,540,000 Series 2008 Public Improvement bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on March 1 through 2029 with interest semiannually September 1 and March 1 at rates varying between 3.25% - 4.25%	8,415,882
\$5,615,000 Series 2010A Public Improvement bonds for transportation and recreation facilities maturing serially on June 1 through 2017 with interest semiannually December 1 and June 1 at rates varying between 3.0% - 4.0%	1,805,000
\$13,315,000 Series 2010B Public Improvement (Taxable-Build America) bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on June 1, 2018 through 2030 with interest semiannually December 1 and June 1 at rates varying between 3.798% - 5.675%	13,315,000
\$5,785,000 Series 2012 Public Improvement bonds for streets and sidewalks maturing serially on March 1 through 2032 with interest semiannually September 1 and March 1 at rates varying between 2.0% - 5.0%	4,915,000
\$6,217,425 Series 2012 Refunding bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on March 1 through 2026 with interest semiannually September 1 and March 1 at rates varying between 2.0% - 5.0%	5,683,870
\$5,650,968 Series 2013 Refunding bonds for public safety, transportation, public buildings, and recreation facilities maturing serially on March 1 through 2019 with interest semiannually September 1 and March 1 at interest rate of 1.72%	5,430,403
\$8,866,942 Series 2014 Refunding bonds for transportation, public buildings, recreation, library and firefighting facilities maturing serially on March 1 through 2027 with interest semiannually September 1 and March 1 at rates varying between 2.5% - 5.0%	8,801,098
\$6,115,000 Series 2014 Public Improvement bonds for transportation, recreation, and firefighting facilities maturing serially on March 1 through 2034 with interest semiannually September 1 and March 1 at rates varying between 2.0% - 4.0%	5,810,000
Total serviced by governmental funds	<u>67,954,413</u>

Serviced by Enterprise Funds:

Water & Sewer Fund

\$14,595,000 Series 2010C Refunding bonds for water and sewer maturing serially on June 1, 2013 through 2022 with interest semiannually December 1 and June 1 at rates varying between 3.0% - 5.0%	\$ 9,965,000
\$6,036,114 Series 2012 Refunding bonds for water and sewer maturing serially on March 1, 2013 through 2026 with interest semiannually September 1 and March 1 at rates varying between 2.0% - 5.0%	5,518,119
\$8,824,032 Series 2013 Refunding bonds for water and sewer maturing serially on March 1 through 2019 with interest semiannually September 1 and March 1 at interest of 1.72%	<u>8,479,598</u>
Total serviced by Water & Sewer Fund	<u>23,962,717</u>

Storm Water Fund

\$1,780,000 Series 2006 Public Improvement bonds for storm water facilities maturing serially on March 1 through 2027 with interest semiannually September 1 and March 1 at rates varying between 4.0% - 5.0%	91,564
\$2,800,000 Series 2007B Public Improvement bonds for storm water facilities maturing serially on March 1 through 2028 with interest semiannually September 1 and March 1 at rates varying between 4.0% - 5.0%	2,280,276
\$2,575,000 Series 2008 Public Improvement bonds for storm water facilities maturing serially on March 1 through 2029 with interest semiannually September 1 and March 1 at rates varying between 3.25% - 4.25%	2,024,123
\$3,265,000 Series 2010B Public Improvement (Taxable-Build America) bonds for storm water facilities maturing serially on June 1, 2018 through 2030 with interest semiannually December 1 and June 1 at rates varying between 3.798% - 5.675%	3,265,000
\$3,186,461 Series 2012 Refunding bonds for storm water facilities maturing serially on March 1, 2013 through 2026 with interest semiannually September 1 and March 1 at rates varying between 2.0% - 5.0%	2,913,011
\$1,233,058 Series 2014 Refunding bonds for storm water facilities maturing serially on March 1 through 2027 with interest semiannually September 1 and March 1 at rates varying between 2.5% - 5.0%	<u>1,223,902</u>
Total serviced by Storm Water Fund	<u>11,797,876</u>
Discount on general obligation bonds	<u>(261,347)</u>
Total general obligation bonds, net of discounts	<u>\$ 103,453,659</u>

Annual Debt Service Requirements:

Annual debt service requirements to maturity for the General Obligation bonds are as follows:

Year Ending June 30,	Governmental Activities - Bonds		Business - Type Activities Bonds			
	General Obligation		Water and Sewer		Storm Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 5,660,285	\$ 2,663,016	\$ 4,882,250	\$ 795,431	\$ 537,464	\$ 522,404
2017	5,812,609	2,486,274	4,835,374	680,102	647,018	501,675
2018	5,236,616	2,317,826	3,997,879	575,152	820,506	475,639
2019	4,972,089	2,139,568	2,983,216	446,820	924,695	439,860
2020	4,795,321	1,948,812	2,117,048	330,610	1,022,631	398,227
2021-2025	23,162,583	6,700,618	4,885,020	449,978	4,827,402	1,305,708
2026-2030	16,524,910	2,227,601	261,930	6,548	3,018,160	385,577
2031-2034	1,790,000	126,175	-	-	-	-
Total	\$ 67,954,413	\$ 20,609,890	\$ 23,962,717	\$ 3,284,641	\$ 11,797,876	\$ 4,029,090

Revenue Bonds

Serviced by Enterprise Funds:

Water & Sewer Fund

\$31,380,000 Series 2006 Enterprise System Revenue Bonds for water and sewer maturing serially on November 1 through 2026 and term bonds maturing on November 1 beginning 2027 through 2031. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.75% to 4.50%	\$ 25,215,000
\$41,745,000 Series 2008 Enterprise System Revenue Bonds for water and sewer maturing serially on November 1 through 2028 and term bonds maturing on November 1 beginning 2029 through 2033. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.50% to 5.00%	37,750,000
\$2,735,000 Series 2010A Enterprise System Revenue Bonds for water and sewer maturing serially on November 1 through 2015. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.00% to 4.00%	725,000
\$20,475,000 Series 2010B Enterprise System Revenue (Taxable-Build America/RZED) Bonds for water and sewer maturing serially beginning November 1, 2016 through 2020 and term bonds maturing on November 1 beginning 2021 through 2035. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.554% to 5.921%	20,475,000
\$32,125,000 Series 2012A Enterprise System Revenue Refunding Bonds for water and sewer maturing serially beginning November 1, 2015 through 2030 and term bonds maturing on November 1, 2029 and 2031. The bonds pay interest semiannually November 1 and May 1 at rates varying 2.00% - 5.00%	31,840,000
\$37,640,000 Series 2014 Enterprise System Revenue Refunding Bonds for water and sewer maturing serially beginning November 1, 2016 through 2036 and term bonds maturing on November 1, 2037, 2038, and 2039. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.00% - 5.00%	37,640,000
Total serviced by Water & Sewer Fund	153,645,000
Premiums on revenue bonds	4,329,950
Total revenue bonds, net of premiums	\$ 157,974,950

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the aforementioned revenue bonds. The bonds are payable solely from these net water and sewer customer revenues and are payable through fiscal year 2040. Annual principal and interest payments on the bonds are expected to require less than 34.5% of net revenues. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Annual Debt Service Requirements:

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

Year Ending June 30,	Business - Type	
	Water and Sewer	
	Principal	Interest
2016	\$ 3,975,000	\$ 6,833,529
2017	5,045,000	6,656,140
2018	5,235,000	6,449,331
2019	5,965,000	6,222,511
2020	6,195,000	5,980,353
2021-2025	35,075,000	25,526,072
2026-2030	43,765,000	16,306,466
2031-2035	35,785,000	6,426,865
2035-2040	12,605,000	1,453,553
Total	<u>\$ 153,645,000</u>	<u>\$ 81,854,820</u>

The City has been in compliance with the covenants as to rates, fees and charges in Section 7.04 of the Enterprise System Trust Agreement since its adoption in 2004 and the related Supplemental Trust Agreements and bond orders authorizing the Enterprise System Revenue Bonds, Series 2004, 2006, 2008, 2010 and 2014 and Enterprise System Refunding Revenue Bonds Series 2012 since their respective adoption. The Trust Agreement requires that the City maintain parity debt service coverage ratio to be no less than 120% or total debt service coverage ratio to be no less than 100% under one of two pronged tests. The debt service coverage ratio calculation for the year ended June 30, 2015, is as follows:

Prior Year Unrestricted Net Position	\$ 41,880,994
Operating revenue	45,715,248
Operating expenses, excluding depreciation, bond interest and accrued OPEB	15,726,948
Income available for debt service	29,988,300
Parity debt service requirement	10,833,752
Total debt service requirement	17,411,274
Coverage on parity debt including 15% prior year unrestricted net assets	335%
Coverage on total debt excluding 15% prior year unrestricted net assets	172%

State and Federal Revolving and Bond Loans

Serviced by Enterprise Funds:

A loan was executed March 20, 1996 under the State Clean Water Bond Loan Program in the amount of \$2,300,000, at an interest rate of 5.3%, principal due annually for 20 years beginning in 1998. Additional amounts were granted under this loan and were drawn down during the year ended June 30, 1999, \$244,271 at 5.3% interest and \$55,407 at 5.85% interest. Principal payments are due annually for 19 years and 18 years, respectively, on these amounts. As of June 30, 2015, a total of \$2,599,678 had been drawn-down and principal payments of \$2,340,887 had been made leaving an outstanding balance of \$258,792. Interest expense was \$13,395 for the year ended June 30, 2015.

A federal revolving loan was executed March 14, 1996 for a sewer project in the amount of \$7,500,000, at an interest rate of 3.035%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project. As of June 30, 2015, \$7,137,854 had been drawn-down and principal payments of \$7,137,854 had been made, completing the debt servicing of this loan during the current fiscal year. Interest expense was \$11,902 for the year ended June 30, 2015.

A federal revolving loan was executed April 6, 2001 for a sewer project in the amount of \$15,000,000, at an interest rate of 2.550%, principal to be repaid in 20 annual payments, the first principal payment being due 6 months after completion of the project. As of June 30, 2015, \$15,000,000 had been drawn-down and principal payments of \$9,750,000 have been made, leaving an outstanding balance of \$5,250,000. Interest expense was \$153,000 for the year ended June 30, 2015.

A federal revolving loan was executed October 17, 2011 for sewer projects under the stimulus provisions of the American Recovery and Reinvestment Act of 2009. The loan provided for 50% of the loan balance to be forgiven at the time of the loan closing and the balance of principal to be repaid in 20 annual payments at an interest rate of 0.0%. As of June 30, 2015, \$1,307,509 had been drawn-down and principal forgiveness of \$653,755 granted. In addition principal payments of \$164,616 have been made, leaving an outstanding balance of \$489,138.

Annual Debt Service Requirements:

Annual debt service requirements to maturity for the Loans Payable are as follows:

Year Ending	Business Activities-Loans and Notes Payable			
	Water and Sewer			
	State Clean Water Bond Loan		Federal Revolving Loans	
June 30,	Principal	Interest	Principal	Interest
2016	\$ 130,935	\$ 8,827	\$ 782,609	\$ 133,875
2017	127,857	4,385	782,609	114,750
2018	-	-	782,609	95,625
2019	-	-	782,609	76,500
2020	-	-	782,609	57,375
2021-2025	-	-	1,663,047	57,375
2026-2030	-	-	163,046	-
Total	\$ 258,792	\$ 13,212	\$ 5,739,138	\$ 535,500

On May 21, 2014, the City issued \$10,100,000 in general obligation refunding bonds with interest rates from 2.50% to 5.00% with yields from 0.18% to 2.85%. The City issued the bonds to advance refund \$10,255,000 of the outstanding Series 2006 General Obligation Public Improvement Bonds with interest rates ranging from 4.00% to 5.00%. The City used the net proceeds along with other resources to purchase U.S. Government securities. The securities were deposited into an irrevocable trust to provide for all future debt service on the refunded portion of the 2006 series bonds.

As a result, that portion of the series 2006 general obligation bonds are now considered defeased, and the City has removed the liabilities from its accounts. These bonds consisted of the following:

<u>Original Issue</u> <u>Date</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Outstanding</u> <u>June 30, 2015</u>
June 1, 2006	General Obligation Public Improvement Bonds, Series 2006	4.00%-5.00%	\$ 10,255,000

Subsequent to the balance sheet date, the City executed a preliminary promissory note in the amount of \$1,350,000 with the US Department of Housing and Urban Development for a redevelopment project authorized under the CDBG Section 108 loan program. The City will have a related developer note receivable with a deferred principal component. In both circumstances, the amortization details have not been finalized as of the report date. The City's note payable is secured by the property as well as future CDBG appropriations.

The General Government long-term debt will be liquidated with the use of funds from the General and Debt Service Funds. All Business-type activities long-term debt will be liquidated with the use of funds from their respective funds.

At June 30, 2015, the City of High Point had authorized bonds for refunding purposes of \$11,985,000 and a legal debt margin of \$645,268,638. There are limitations and restrictions contained in the various bond indentures.

Changes in Long-term Liabilities

	Beginning	Additions &		Ending	Amounts
	Balance	Adjustments	Reductions	Balance	Due within
					One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds.....	\$ 73,820,095	\$ -	\$ 5,865,682	\$ 67,954,413	\$ 5,660,285
Notes and loans payable.....	-	1,350,000	-	1,350,000	-
Installment purchase agreements (1).....	<u>3,839,509</u>	<u>1,931,149</u>	<u>1,086,322</u>	<u>4,684,336</u>	<u>1,478,073</u>
Total bonds and notes payable.....	<u>77,659,604</u>	<u>3,281,149</u>	<u>6,952,004</u>	<u>73,988,749</u>	<u>7,138,358</u>
Other liabilities:					
Compensated absences (1).....	4,247,448	3,509,759	3,304,426	4,452,781	3,248,727
Other post employment benefits (1).....	4,958,935	307,191	-	5,266,126	-
Net pension liability (2).....	6,941,305	-	6,941,305	-	-
Pension liabilities.....	-	<u>22,901</u>	-	<u>22,901</u>	-
Total other liabilities:.....	<u>16,147,688</u>	<u>3,839,851</u>	<u>10,245,731</u>	<u>9,741,808</u>	<u>3,248,727</u>
Governmental activities long-term liabilities.....	<u>\$ 93,807,292</u>	<u>\$ 7,121,000</u>	<u>\$ 17,197,735</u>	<u>\$ 83,730,557</u>	<u>\$ 10,387,085</u>
Business-type Activities:					
Bonds and notes payable					
Water and Sewer General Obligation Bonds....	\$ 28,199,510	\$ -	\$ 4,236,793	\$ 23,962,717	\$ 4,882,250
Water and Sewer Revenue Bonds.....	157,385,000	-	3,740,000	153,645,000	3,975,000
Premium on Water and Sewer Revenue Bonds	<u>4,589,117</u>	-	<u>259,167</u>	<u>4,329,950</u>	-
Total Water and Sewer Revenue Bonds.....	<u>161,974,117</u>	-	<u>3,999,167</u>	<u>157,974,950</u>	<u>3,975,000</u>
Storm Water General Obligation Bonds.....	12,440,401	-	642,525	11,797,876	537,464
Notes and loans payable.....	7,303,647	-	1,305,717	5,997,930	913,544
Less discount on refunding.....	<u>(275,867)</u>	<u>14,520</u>	-	<u>(261,347)</u>	-
Total bonds and notes payable.....	<u>209,641,808</u>	<u>14,520</u>	<u>10,184,202</u>	<u>199,472,126</u>	<u>10,308,258</u>
Other liabilities					
Landfill closure and post-closure	14,685,020	-	683,454	14,001,566	-
Installment purchase agreements (1).....	374,996	-	374,996	-	-
Other post employment benefits (1).....	2,422,092	135,149	-	2,557,241	-
Net pension liability (2).....	2,958,505	-	2,958,505	-	-
Compensated absences (1).....	<u>1,306,381</u>	<u>785,249</u>	<u>771,706</u>	<u>1,319,924</u>	<u>959,228</u>
Total other liabilities.....	<u>21,746,994</u>	<u>920,398</u>	<u>4,788,661</u>	<u>17,878,731</u>	<u>959,228</u>
Business-type activities long-term liabilities.....	<u>\$ 231,388,802</u>	<u>\$ 934,918</u>	<u>\$ 14,972,863</u>	<u>\$ 217,350,857</u>	<u>\$ 11,267,486</u>

(1) The June 30, 2014 balance has been restated to include the functional transfer of refuse collection and related installment contract debt, compensated absences and OPEB from the General Fund to the Solid Waste Fund.

(2) The June 30, 2014 balance has been restated to include net pension liability from the implementation of GASB Statement No. 68. The zero ending balance is due to an actuarially reported net pension asset as of June 30, 2015.

Compensated absences for governmental activities have typically been liquidated in the General Fund. The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

Note 3. Interfund Balances and Activity

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

Transfers to	Transfers from					Total
	General	Nonmajor Governmental	Water and Sewer	Electric	Nonmajor Enterprise	
General Fund.....	\$ -	\$ -	\$ 50,000	\$ 1,955,007	\$ -	\$ 2,005,007
General Capital Projects Fund...	465,998	8,650	47,850	-	85,470	607,968
Non-major governmental funds	6,096,812	-	-	-	-	6,096,812
Non-major enterprise funds.....	<u>3,308,861</u>	<u>1,189,689</u>	-	-	-	<u>4,498,550</u>
Total.....	<u>\$ 9,871,671</u>	<u>\$ 1,198,339</u>	<u>\$ 97,850</u>	<u>\$ 1,955,007</u>	<u>\$ 85,470</u>	<u>\$ 13,208,337</u>

Transfers are used to move revenues from the appropriate funds for the payment of debt service principal and interest, move restricted borrowings to establish mandatory reserve accounts, and to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies of matching funds for various grant programs.

The transfers from the Electric Fund to the General Fund represent the amounts designated for Economic Development and the International Home Furnishings Market as well as the payment in lieu of taxes.

The City also transferred \$50,000 from the General Fund to the Law Enforcement Officers' Pension Trust Fund. In the budgetary financial statements, this is shown as a transfer; however, in the basic financial statements, this is not shown as a transfer but as an expenditure.

During the fiscal year the City transferred capital assets between funds. In the internal service fund financial statements, capital assets transferred in are shown as capital contributions. The loss on disposal and capital contributions are eliminated in the government-wide statement presentation.

During the fiscal year ended June 30, 2008, the Solid Waste Fund provided \$1,500,000 to the general capital projects fund for the purchase of land and building for parks and recreation administration. This transfer was done in lieu of external financing options. The intent of the City Council and management is to repay the transfer semi-annually on a ten-year amortized schedule at an interest rate of 3.61% which represented the City's blended internal rate of return for short-term investments at that time. The interfund transaction is presented as a long-term interfund receivable for the enterprise fund and as a long-term interfund payable in the governmental fund statements.

Long-Term due to the Solid Waste Fund from General Capital Projects Fund	<u>\$ 507,420</u>
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Note 4. Joint Ventures

- A. The North Carolina Municipal Power Agency Number 1 (Agency) is a joint venture organized and existing pursuant to Chapter 159B of the General Statutes of North Carolina to enable municipalities owning electric distributions systems, through the organization of the Agency, to finance, construct, own, operate and maintain electric generation and transmission facilities. The Agency has nineteen members (participants), which receive power from the Agency. The Agency has entered into a Project Power Sales Agreement and a Supplemental Power Sales Agreement with each participant. These agreements provide for each participant to purchase from the Agency its all-requirements bulk power supply, in excess of power allotments from the Southeastern Power Administration (SEPA), which includes its total share of project output (as defined by the Project Power Sales Agreement). The Agency is obligated to provide all electric power required by each participant at the respective delivery points. Each participant is obligated to pay its share of the operating and debt service costs of the project.

The City began purchase of power from the Agency under the power sales agreement dated July 1, 1983.

Each municipality may appoint one commissioner to serve on the Agency's board. The board elects its own officers and is responsible for the selection of management to run the daily operations of the Agency. The Agency is responsible for budgeting and receiving its financing.

Summary financial information for the Agency for the year ended December 31, 2014 is presented below (in thousands of dollars):

	<u>Total</u>
Current and other assets.....	\$ 1,016,155
Capital assets.....	1,162,774
Deferred outflows of resources.....	<u>66,573</u>
Total assets and deferred outflows of resources.....	<u>2,245,502</u>
Current liabilities.....	175,090
Long term debt & other non-current liabilities.....	1,604,577
Deferred inflows of resources.....	<u>387,311</u>
Total liabilities and deferred inflows of resources.....	<u>2,166,978</u>
Total net position.....	<u>\$ 78,524</u>
Total revenues.....	\$ 562,320
Total expenses.....	<u>535,072</u>
Net decrease in net position.....	<u>\$ 27,248</u>

As of December 31, 2014, the Agency had outstanding \$1,314,455,000 of bonds.

The following is a summary of debt service requirements for bonds outstanding at December 31, 2014 (in thousands of dollars):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 245,870	\$ 58,079	\$ 303,949
2016	138,235	52,158	190,393
2017	147,475	45,081	192,556
2018	154,075	38,145	192,220
2019-2023	321,735	108,501	430,236
2024-2028	180,145	60,291	240,436
2029-2032	<u>126,920</u>	<u>13,497</u>	<u>140,417</u>
	<u>\$ 1,314,455</u>	<u>\$ 375,752</u>	<u>\$ 1,690,207</u>

The City has made no investment in this joint venture. The City's only financial involvement with the agency relates to the power sales agreement for power purchases. The City's purchases of power for the fiscal year ended June 30, 2015 totaled \$103,439,718. Complete financial statements for the Power Agency can be obtained from the Agency's administrative offices at P.O. Box 29513, Raleigh, NC 27626-0513.

- B. The Piedmont Triad Regional Water Authority is a consortium formed by the City, the City of Archdale, the City of Greensboro, the Town of Jamestown, the City of Randleman, and Randolph County for the purpose of construction of the Randleman Dam and to provide a regional water resource. Each participating government appoints members to the board: Greensboro (3), High Point (2), Randolph County (2), Jamestown (2), and Randleman (1) for a total of 10 members. The dam is a joint venture for the purchase of land, construction of a dam, and a wastewater bypass. The Randleman Dam was completed in January 2003 and the impoundment of water is complete. The Authority completed the construction for a water treatment plant and a raw water

pump station, transmission lines, and a finished water pump station during FY 2010-2011. The Piedmont Triad Regional Water Authority is operating and maintaining these facilities under an interlocal agreement among the members. The City's allocable portion of capacity and distributable water is 19% or approximately 9 MGD at full operational limits. The City's financial involvement includes membership dues for the allocated administrative costs of the authority and the water purchases under a water sales agreement. The City paid \$309,617 for member dues and \$781,744 for water purchases during the fiscal year ended June 30, 2015. Complete financial statements for the Piedmont Triad Regional Water Authority may be obtained from Piedmont Triad Regional Water Authority, P.O. Box 1326, Randleman, NC 27317.

- C. The governing boards of the cities of Winston-Salem, Burlington, Greensboro, and High Point established the Piedmont Authority of Regional Transportation under the Regional Public Transportation Authority Act, North Carolina General Statutes Chapter 160A, Article 27. The purpose of the Authority is to promote the development of sound transportation systems that provide transportation choices for citizens in its territorial jurisdiction. The participating governments do not have an equity interest in the joint venture. The City of High Point does not have financial responsibility for the Authority and is not responsible for its debts. Audited financial statements for the Piedmont Authority of Regional Transportation are available through the Office of the Executive Director, Piedmont Authority of Regional Transportation, 107 Arrow Rd., Greensboro, NC 27409.
- D. The City and the members of the City's fire department each appoint two members to the five-member local board of trustees for the Firefighters' Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighters' Relief Fund is funded by a portion of the fire and lightning insurance premiums that insurers remit to the State. The State passes these moneys to the local board of the Firefighters' Relief Fund. The funds are used to assist fire fighters in various ways. The City obtains an ongoing financial benefit from the Fund for the on-behalf of payments for salaries and fringe benefits made to members of the City's fire department by the board of trustees. During the fiscal year ended June 30, 2015, the City had no revenues to report nor expenditures for payments made through the Firefighters' Relief Fund. The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2015. The Firefighters' Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firemen's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

Note 5. Jointly Governed Organizations

- A. The City in conjunction with 6 counties and 25 other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The City paid membership fees of \$21,000 to the Council during the fiscal year ended June 30, 2015.
- B. The City has an agreement with the Piedmont Triad Airport Authority in which it appoints one member to the board. The City has no financial obligation or investment in the operation of the Airport Authority. Complete financial statements for the Piedmont Triad Airport Authority may be obtained through the Airport Authority, 1000A Ted Johnson Parkway, Greensboro, NC 27409.
- C. The City created a High Point Convention and Visitors Bureau (the Bureau) to promote tourism and to solicit and encourage convention business in High Point. The City appoints one of the eleven voting members of the Bureau. Revenues from the county-wide occupancy tax pass through the City to the Bureau. The City paid \$1,636,738 to the Bureau during the fiscal year ended June 30, 2015. The City has no other financial obligation or investment in the operation of the Bureau.

Note 6. Related Organization

The eight-member board of the City of High Point Housing Authority includes seven members appointed by the Mayor of the City of High Point and one Council member liaison. The City is accountable for the Housing

Authority because it appoints the governing board; however, the City is not financially accountable for the Housing Authority. The City of High Point is also disclosed as a related organization in the notes to the financial statements for the City of High Point Housing Authority. Complete financial statements for the Housing Authority can be obtained from the Authority's offices at 500 East Russell Avenue, High Point, NC 27260.

Note 7. Summary Disclosure of Significant Contingencies

A. Federal and State-Assisted Programs

The City has received proceeds from several federal and state grants, principal of which are the Community Development Block Grant and Federal Transit Administration programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

B. Company Incentive Program

The City has a specific reimbursement commitment with a company that will provide reimbursements to the company for documented construction costs if the company meets certain documented benchmarks for jobs creation and capital investment by December 31, 2017. As of June 30, 2015, the company had received \$1,056,000 under this incentive program. The maximum amount of reimbursements available to the company over the term of the program is \$2,400,000, leaving a remaining potential balance of \$1,344,000.

Note 8. Comparative Data and Reclassifications

Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. In addition, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

Note 9. Changes in Accounting Principles/Restatement

Effective with the beginning of the fiscal year 2015, the City has reclassified certain functions presented in the fund financial statements by fund type. The reorganization includes: transferring the governmental refuse and recycling collection from the general fund to the solid waste fund, and transferring the internal service facilities operations from the internal service fund to the general fund.

Having become aware that there is diversity of accounting principles generally accepted for the accounting treatment and reporting of long-term loans receivable in governmental funds, 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 expended, as appropriate. The City's previous accounting principles included elimination of the deferred inflows related to loans receivable when converting the governmental funds to full accrual for reporting in the statement of net position. The prior year government wide statements did not include an allowance for uncollectible accounts for loans; therefore a restatement to net position was made to record this allowance during fiscal year 2015 as such allowance is considered necessary.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, 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). The cumulative effect of adoption of the standard is presented as an adjustment to beginning fiscal year 2015 net position since information is not available to determine the impact on expense and net position in fiscal year 2014.

The reclassifications and restatements are detailed in the table below:

	Government Wide - Net Position		Governmental Funds - Fund Balance		Net Position			
	Governmental Net Position	Business-Type Net Position	General Fund	Nonmajor	Water & Sewer	Electric	Nonmajor	Internal Svc
June 30, 2014 - Ending balances	\$206,684,752	\$341,299,521	\$30,194,375	\$18,336,803	\$186,220,026	\$108,330,856	\$45,274,534	\$19,364,950
Reclassifications:								
Facility Svcs (ISF) closed into General Fund								(2,783,275)
Environmental Svcs closed to Solid Waste fund							(769,400)	
Total of all fund balances moved	769,400	(769,400)						
June 30, 2015 - Beginning balances	207,454,152	340,530,121	30,194,375	18,336,803	186,220,026	108,330,856	44,505,134	16,581,675
Changes in Accounting Principles								
Restatements:								
Restatement of deferred inflows to fund balance	1,960,199			1,960,199				
Pension restatement	(6,941,305)	(2,958,505)			(1,028,415)	(1,009,212)	(920,878)	(208,267)
June 30, 2015 - Beginning Restated balances	\$202,473,046	\$337,571,616	\$30,194,375	\$20,297,002	\$185,191,611	\$107,321,644	\$43,584,256	\$16,373,408

Note 10.Subsequent Event

The City has evaluated subsequent events through January 11, 2016, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Subsequent to the balance sheet date, the City executed a preliminary promissory note in the amount of \$1,350,000 with the US Department of Housing and Urban Development for a redevelopment project authorized under the CDBG Section 108 loan program. The City will have a related developer note receivable with a deferred principal component. In both circumstances, the amortization details have not been finalized as of the report date. The City's note payable is secured by the property as well as future CDBG appropriations. The note payable to the US Department of Housing and Urban Development and the note receivable from the developer have both been recognized in the government wide statements.

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The following financial statements have been compiled from the audited financial statements of the City for the fiscal years ended June 30, 2015, 2014, and 2013.

CITY OF HIGH POINT, NORTH CAROLINA
General Fund
Balance Sheet
As of June 30, 2015, 2014 and 2013

	2015	2014	2013
ASSETS			
Cash and investments	\$ 29,269,527	\$ 27,438,714	\$ 24,908,239
Receivables (net):			
Taxes	1,986,865	2,267,148	2,641,969
Accounts receivable and accrued revenue	8,630,840	7,078,015	6,193,150
Accrued interest	26,495	29,350	36,227
Due from component unit	405,108	296,588	343,385
Prepaid items	37,153	19,659	19,801
Restricted assets:			
Cash and investments	240,357	222,197	1,481,735
TOTAL ASSETS	<u>\$ 40,596,345</u>	<u>\$ 37,351,671</u>	<u>\$ 35,624,506</u>
LIABILITIES			
Accounts payable and accrued expenses	3,577,553	3,934,717	4,188,183
Liabilities payable from restricted assets:			
Deposits and other liabilities	240,357	222,197	282,725
TOTAL LIABILITIES	<u>3,817,910</u>	<u>4,156,914</u>	<u>4,470,908</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable taxes	1,986,865	2,267,146	2,641,969
Unearned taxes and licenses	210,173	544,186	563,016
Unavailable grant receivables	843,524	189,050	-
Unavailable general receivables	108,729	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,149,291</u>	<u>3,000,382</u>	<u>3,204,985</u>
FUND BALANCES			
Non-spendable:			
Prepaid items	37,153	19,659	19,801
Restricted			
Stabilization by state statute	9,358,903	7,879,820	7,358,975
Transportation	506,779	498,562	412,796
Committed:			
Economic development	2,167,144	2,127,599	2,052,361
Market development	18,042	-	15,303
Benefits and Wellness	926,426	745,254	199,439
Assigned			
Subsequent year's expenditures	3,088,607	4,202,575	2,954,786
General government	80,000	243,403	533,903
Public safety	238,180	12,751	4,259
Culture & recreation	447,095	479,232	428,593
Planning & economic development	110,283	107,873	293,609
Public services and transportation	556,519	563,483	563,438
Unassigned	16,094,013	13,314,164	13,111,350
TOTAL FUND BALANCES	<u>33,629,144</u>	<u>30,194,375</u>	<u>27,948,613</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 40,596,345</u>	<u>\$ 37,351,671</u>	<u>\$ 35,624,506</u>

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

CITY OF HIGH POINT, NORTH CAROLINA
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ending June 30, 2015, 2014, 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Property taxes	\$ 56,854,252	\$ 58,578,331	\$ 56,762,189
Sales taxes	17,050,655	15,554,105	15,185,120
Occupancy and other local taxes	2,140,094	1,922,853	1,797,289
Intergovernmental	16,236,355	14,226,699	13,538,965
Licenses and permits	3,459,914	3,728,062	3,492,409
Charges for services	4,509,856	6,778,018	4,636,533
Interest on investments	185,156	253,779	62,215
Sale of capital assets	4,367	2,863	16,941
Administrative reimbursements	-	6,819,261	6,052,720
Miscellaneous	310,566	554,347	932,327
Total revenues	<u>100,751,215</u>	<u>108,418,318</u>	<u>102,476,708</u>
Expenditures:			
General government	10,730,114	15,632,281	15,455,668
Public safety	43,429,963	42,631,709	42,673,300
Public services - transportation	8,924,276	9,777,852	9,816,790
Public services - environmental services	234,683	6,021,672	5,814,386
Community and economic development	7,703,321	7,538,713	7,727,740
Cultural and recreation	18,412,371	18,163,763	17,744,481
Debt service:			
Principal retirement	435,606	1,187,911	1,351,800
Interest and fiscal charges	17,716	38,321	73,655
Total expenditures	<u>89,888,050</u>	<u>100,992,222</u>	<u>100,657,820</u>
Excess of revenue over expenditures	<u>10,863,165</u>	<u>7,426,096</u>	<u>1,818,888</u>
Other Financing Sources (Uses):			
Proceeds from installment purchases	438,268	-	-
Transfers in	1,160,000	1,160,000	1,160,000
Transfers in related to payments in lieu of taxes	845,007	805,173	811,435
Transfers out	(9,871,671)	(7,145,507)	(6,829,743)
Total other financing uses	<u>(7,428,396)</u>	<u>(5,180,334)</u>	<u>(4,858,308)</u>
Net change in fund balance	3,434,769	2,245,762	(3,039,420)
Fund balance, beginning	<u>30,194,375</u>	<u>27,948,613</u>	<u>30,988,033</u>
Fund balance, ending	<u>\$ 33,629,144</u>	<u>\$ 30,194,375</u>	<u>\$ 27,948,613</u>

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

CITY OF HIGH POINT, NORTH CAROLINA
Special Revenue Fund
Balance Sheet
As of June 30, 2015, 2014 and 2013

	2015	2014	2013
Assets:			
Restricted cash and investments	\$ 1,400,952	\$ 865,220	\$ 1,335,370
Receivables:			
Accounts and grants	2,853,058	1,377,144	1,324,505
Notes and loans, net of allowance	2,580,043	4,649,247	4,976,838
 Total Assets	 \$ 6,834,053	 \$ 6,891,611	 \$ 7,636,713
Liabilities:			
Accounts payable and accrued expenses	\$ 98,362	\$ 154,096	\$ 95,846
Interfund payable	1,315,500	562,878	665,637
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	669,935	49,715	-
 Total Liabilities	 2,083,797	 766,689	 761,483
Deferred inflow of resources:			
Unavailable grants receivable	240,833	896,695	324,783
Unavailable notes and loans receivable	-	4,649,247	4,976,838
Unearned grants	95,277	83,090	-
 Total deferred inflows of resources	 336,110	 5,629,032	 5,301,621
Fund balance:			
Non-spendable:			
Notes and loans long-term AR	2,580,043	-	-
Restricted:			
Stabilization by state statute	3,382,638	801,986	1,615,982
Grant programs	68,215	550,211	666,563
Unassigned	(1,616,750)	(856,334)	(708,936)
 Total fund balance	 4,414,146	 495,863	 1,573,609
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 \$ 6,834,053	 \$ 6,891,584	 \$ 7,636,713

CITY OF HIGH POINT, NORTH CAROLINA
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ending June 30, 2015, 2014, 2013

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Restricted intergovernmental	4,485,407	4,259,886	5,735,963
Interest on investments	2,772	2,152	6,868
Miscellaneous	347,558	500,386	360,082
Total revenues	<u>4,835,737</u>	<u>4,762,424</u>	<u>6,102,913</u>
Expenditures:			
General government	-	-	79,527
Public safety	1,078,094	1,827,919	1,959,615
Public services - transportation	1,397,238	1,422,091	1,519,706
Planning and community development	1,959,616	2,638,641	2,989,665
Cultural and recreation	77,447	94,569	91,601
Total expenditures	<u>4,512,395</u>	<u>5,983,220</u>	<u>6,640,114</u>
Excess (deficiency) of revenues over (under) expenditures	<u>323,342</u>	<u>(1,220,796)</u>	<u>(537,201)</u>
Other Financing Sources (Uses):			
Federal loan proceeds	1,350,000	-	-
Transfers in	293,392	190,773	174,308
Transfers (out)	(8,650)	(47,723)	(47,723)
Total other financing sources	<u>1,634,742</u>	<u>143,050</u>	<u>126,585</u>
Net change in fund balances	1,958,084	(1,077,746)	(410,616)
Fund Balances, beginning, as previously presented	495,863	1,573,609	1,984,225
Prior period restatement	1,960,199	-	-
Fund balance beginning, as restated	<u>2,456,062</u>	<u>1,573,609</u>	<u>1,984,225</u>
Fund balance, ending	<u>\$ 4,414,146</u>	<u>\$ 495,863</u>	<u>\$ 1,573,609</u>

CITY OF HIGH POINT, NORTH CAROLINA
Statement of Net Position
Enterprise Funds
As of June 30, 2015, 2014, and 2013

	2015	2014	2013
ASSETS			
Current assets:			
Cash and investments	\$ 138,016,714	\$ 134,849,535	\$ 127,130,837
Receivables			
Accounts and grants (net)	23,344,044	21,416,728	20,635,096
Accrued interest	113,686	135,570	171,255
Inventory	6,007,807	5,817,419	5,681,759
Prepaid expenses	107,919	107,494	118,937
Total Current Assets	167,590,170	162,326,746	153,737,884
Non-current assets			
Restricted assets:			
Cash and investments	26,912,691	48,197,651	16,138,643
Net pension asset	2,059,483	-	-
Due from other funds	1,315,500	1,196,747	1,319,116
Interfund loan receivable	507,420	664,858	816,771
Capital assets			
Land	11,912,821	11,836,526	11,836,526
Buildings and other improvements	106,179,791	105,876,005	105,888,716
Machinery and equipment	36,862,571	36,802,111	36,850,844
Infrastructure	495,165,661	478,145,961	473,810,507
Intangibles	3,529,311	3,451,911	2,573,325
Construction in progress	41,093,799	22,908,789	13,603,481
Less accumulated depreciation	(300,218,509)	(282,528,142)	(263,930,167)
Total capital assets (net of accumulated depreciation)	394,525,445	376,493,161	380,633,232
Total noncurrent assets	425,320,539	426,552,417	398,907,762
Total Assets	592,910,709	588,879,163	552,645,646
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	1,173,219	-	-
Total deferred outflows of resources	1,173,219	-	-
LIABILITIES			
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	19,648,947	14,699,345	13,420,635
Prepaid utility revenues	-	128,516	99,714
Current maturities of long-term debt	10,308,258	9,925,035	9,370,509
Current maturities of compensated absences	959,228	771,706	789,286
Accrued interest payable	1,462,957	1,539,066	1,448,971
Deposits	1,215,534	1,069,650	874,413
Due to other funds	-	633,869	653,479
Total current liabilities	33,594,924	28,767,187	26,657,007
Non-current liabilities:			
Accrued closure/post closure costs	14,001,566	14,685,020	14,468,000
Loans payable	5,084,386	5,997,930	7,303,646
Other post employment benefits accrual	2,557,241	2,146,197	1,886,211
General obligation bonds payable	30,079,532	35,484,727	40,104,103
Revenue bonds payable	153,999,950	158,234,116	120,522,223
Compensated absences	360,696	416,167	471,673
Total Noncurrent Liabilities	206,083,371	216,964,157	184,755,856
Total Liabilities	239,678,295	245,731,344	211,412,863
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	8,745,080	3,322,403	4,513,560
Total Deferred Inflows of Resources	8,745,080	3,322,403	4,513,560
NET POSITION			
Net position			
Net investment in capital assets	219,481,689	212,606,134	216,039,543
Restricted for capital projects	4,025,583	5,919,787	14,007,875
Restricted for grant programs	381,101	379,216	377,526
Unrestricted	121,772,180	120,920,279	106,294,279
Total Net Position	\$ 345,660,553	\$ 339,825,416	\$ 336,719,223

CITY OF HIGH POINT, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Enterprise Funds
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Operating Revenues			
Charges for services	\$ 188,484,015	\$ 180,480,475	\$ 179,879,928
Licenses and permits	406,746	-	357,147
Intergovernmental	5,168,457	913,427	2,166,370
Miscellaneous	102,073	1,007,385	438,779
Total operating revenues	<u>194,161,291</u>	<u>182,401,287</u>	<u>182,842,224</u>
Operating Expenses:			
Management and administration	27,090,823	13,202,140	13,960,847
Maintenance and distribution	18,860,905	17,563,543	16,786,179
Power purchases	103,752,608	100,946,530	95,171,093
Treatment plants	9,801,674	11,607,511	10,480,021
Other services and charges	5,200,647	5,549,246	4,865,805
Depreciation and amortization	18,505,115	18,752,449	18,049,260
Total operating expenses	<u>183,211,772</u>	<u>167,621,419</u>	<u>159,313,205</u>
Operating Income(loss)	<u>10,949,519</u>	<u>14,779,868</u>	<u>23,529,019</u>
Nonoperating revenues (expenses):			
Interest on investments	640,892	562,866	63,534
Miscellaneous and other nonoperating	72,378	(1,588,352)	131,769
Interest expense and fiscal charges	(8,633,404)	(8,790,677)	(7,836,223)
Amortization of gain on refunding	334,871	239,155	256,758
Reimbursements from other funds	-	1,074,399	1,216,712
Intergovernmental revenues	459,441	1,618,947	-
Gain on refunding	-	40,206	-
Developer contributions	147,158	974,166	-
Reimbursements to other funds	-	(7,963,656)	(7,266,128)
Gain/Loss on disposal of capital assets	557,315	8,544	(27,956)
Total nonoperating expenses	<u>(6,421,349)</u>	<u>(13,824,402)</u>	<u>(13,461,534)</u>
Income before capital contributions and transfers	4,528,170	955,466	10,067,485
Capital contributions	2,674,649	2,724,533	3,185,092
Transfers in	4,498,550	1,704,121	1,486,157
Transfers out	(2,138,327)	(2,277,927)	(2,284,189)
Change in net position	<u>9,563,042</u>	<u>3,106,193</u>	<u>12,454,545</u>
Total net position - beginning as previously presented	339,825,416	336,719,223	326,555,959
Restatement	(3,727,905)	-	(2,291,281)
Total net position - beginning, as restated	<u>336,097,511</u>	<u>336,719,223</u>	<u>324,264,678</u>
Total net position - ending	<u>\$ 345,660,553</u>	<u>\$ 339,825,416</u>	<u>\$ 336,719,223</u>

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

CITY OF HIGH POINT, NORTH CAROLINA
Statement of Cash Flows
Enterprise Funds
For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	2014	2013
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 192,808,855	\$ 181,836,755	\$ 174,101,671
Receipts from interfund services provided	-	-	-
Payments to employees and related fringe benefits	(22,998,812)	(20,720,387)	(20,503,176)
Payments to suppliers and operating costs	(138,719,635)	(126,590,170)	(118,645,267)
Net cash provided by operating activities	<u>31,090,408</u>	<u>34,526,198</u>	<u>34,953,228</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	4,498,550	1,704,121	1,486,157
Transfers out	(2,138,327)	(2,277,927)	(2,284,189)
Advances and reimbursements from other funds	(595,184)	254,672	(5,084,038)
Disaster assistance grants	430,692	1,618,947	-
Nonoperating grant and miscellaneous	72,377	(1,588,352)	132,564
Reimbursements (to) from other funds	28,749	(6,889,257)	(1,484,434)
Net cash provided (used) by non-capital financing activities	<u>2,296,857</u>	<u>(7,177,796)</u>	<u>(7,233,940)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from issuance of long-term debt	-	51,958,677	-
Capital contributions	147,158	-	-
Payment to trustee for refunded bonds	-	(10,071,423)	-
Principal payments on long-term debt	(10,300,031)	(9,516,821)	(9,795,134)
Interest payments and fiscal charges on long-term debt	(8,709,513)	(8,660,380)	(7,905,291)
Proceeds collected on the sale of capital assets	710,412	82,386	5,356
Acquisition and construction of capital assets	(34,015,848)	(11,961,686)	(8,034,992)
Net cash provided by (used in) capital and related financing activities	<u>(52,167,822)</u>	<u>11,830,753</u>	<u>(25,730,061)</u>
Cash Flows From Investing Activities			
Interest earned on investments	662,776	598,551	76,371
Net cash provided by investing activities	<u>662,776</u>	<u>598,551</u>	<u>76,371</u>
Net increase (decrease) in cash and cash equivalents	(18,117,781)	39,777,706	2,065,598
Cash and investments at the beginning of the year	<u>183,047,186</u>	<u>143,269,480</u>	<u>141,203,882</u>
Cash and investments at the end of the year	<u>\$ 164,929,405</u>	<u>183,047,186</u>	<u>143,269,480</u>
Operating income	<u>10,949,519</u>	<u>14,779,868</u>	<u>23,529,019</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Net cash provided by operating activities			
Depreciation and amortization	18,505,115	18,752,449	18,049,260
Pension expense	103,538	-	-
Change in net position			
(Increase) in accounts receivable	(1,927,316)	(781,632)	(8,660,998)
Decrease in inventories	(190,388)	(135,660)	(106,847)
(Increase) decrease in prepaid expenses	(425)	11,443	132,642
Increase in payables and accrued expenses	4,114,219	1,495,730	1,814,409
Increase (decrease) in deposits	145,884	195,237	(25,130)
Increase in OPEB liability	135,149	259,986	195,502
Increase (decrease) in vacation leave accrual	13,543	(73,086)	79,796
Decrease in deferred outflows of resources for pensions	(1,173,219)	-	-
Increase (decrease) in unearned revenue	414,789	21,863	(54,435)
Total adjustments	<u>20,140,889</u>	<u>19,746,330</u>	<u>11,424,199</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 31,090,408</u>	<u>\$ 34,526,198</u>	<u>\$ 34,953,218</u>
NONCASH FINANCING ACTIVITIES			
Capital assets contributed by developers and other funds	<u>\$ 2,674,649</u>	<u>\$ 2,724,533</u>	<u>\$ 3,185,092</u>

Changes in Accounting Principles/Restatement

The City implemented GASB Statement No. 65 in the fiscal year ending June 30, 2013. In accordance with GASB No. 65, deferred costs from the refunding of debt, which were previously deferred and amortized, are presented as deferred outflows of resources. Bond issuance costs which were previously deferred and amortized are now included in current expenditures

Those previously deferred issuance costs totaling \$2,251,797 and \$39,484 in the Water and Sewer Fund and Storm Water Fund, respectively, were recognized as a prior period expense in the current year. As a result, beginning net position, as previously reported, decreased from \$182,482,048 to \$180,230,251 in the Water and Sewer Fund and from \$7,746,991 to \$7,707,507 in the Storm Water Fund.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68, 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). The cumulative effect of adoption of the standard is presented as an adjustment to beginning fiscal year 2015 net position since information is not available to determine the impact on expense and net position in fiscal year 2014. As a result, net position for the governmental and business-type activities decreased by \$6,941,305 and \$2,958,505 respectively.

Effective with the beginning of the fiscal year 2015, the City has reclassified certain functions presented in the fund financial statements by fund type. The reorganization includes: transferring the governmental refuse and recycling collection from the general fund to the solid waste fund, and transferring the internal service facilities operations from the internal service fund to the General Fund. As a result, net position for governmental activities increased by \$769,400.

Having become aware that there is diversity of accounting principles generally accepted for the accounting treatment and reporting of long-term loans receivable in governmental funds, 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 expended, as appropriate. The City's previous accounting principles included elimination of the deferred inflows related to loans receivable when converting the governmental funds to full accrual for reporting in the statement of net position. The prior year government wide statements did not include an allowance for uncollectible accounts for loans; therefore a restatement to net position was made to record this allowance during fiscal year 2015 as such allowance is considered necessary. As a result, net position for the special revenue fund increased by \$1,960,199.

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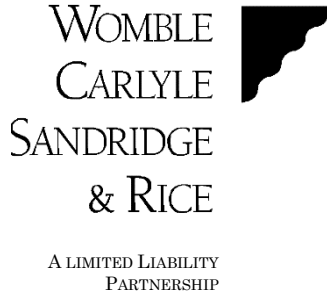
The following budget statements have been compiled from the budget ordinance and related amendments of the City for the fiscal years ending June 30, 2016 and June 30, 2017.

CITY OF HIGH POINT
Compiled Budget - Annually Budgeted Funds
Fiscal Year 2015-2016

	GENERAL FUND	SPECIAL REVENUE FUND	ENTERPRISE FUND
Revenues:			
Taxes	\$ 82,857,218	\$ -	\$ -
Intergovernmental revenues	9,709,203	10,729,404	-
Licenses and permits	2,668,300	-	-
Fines and forfeitures	82,500	-	-
Charges for services	18,793,037	-	192,592,770
Interest on investments	180,384	-	435,000
Miscellaneous revenues	2,282,175	-	56,610
Rents	-	-	70,000
Landfill - State Excise Tax	-	-	70,000
Operating revenue & grants	-	-	550,360
Other non-operating	-	-	2,214,369
Total estimated revenues	116,572,817	10,729,404	195,989,109
Appropriations:			
General Government	23,068,076	4,711,542	-
Public safety	54,717,245	1,369,500	-
Public services	6,809,975	-	-
Planning and Community Development	1,247,832	4,635,976	-
Cultural and recreation	17,624,839	12,386	-
Economic Development	757,000	-	-
Market Authority	3,000,000	-	-
Insurance Reserve Fund	14,560,060	-	-
Debt service: Principal retirement	-	-	10,358,260
Interest & fiscal charges	-	-	8,486,679
Contingency	400,000	-	750,000
Services-personnel	-	-	22,231,572
Operating Expenses	-	-	141,812,753
Capital outlay	-	-	15,938,088
Total appropriations	122,185,027	10,729,404	199,577,352
Estimated Revenues over/under appropriations	(5,612,210)	-	(3,588,243)
Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	315,000	-	1,937,442
Enterprise Fund - Electric Fund	1,110,000	-	-
Enterprise Fund - Water-Sewer Fund	50,000	-	-
Transfers to other funds:			
General Fund	8,507,701	-	-
Capital Projects Fund	(683,250)	-	(80,000)
Debt Service Fund	(4,743,550)	-	-
Enterprise Fund	(2,194,190)	-	(1,927,813)
Trust Fund - Police Separation	(50,000)	-	-
Economic Development	(75,000)	-	(400,000)
Market Authority	(240,000)	-	(760,000)
Total transfers to (from) other funds	1,996,711	-	(1,230,371)
Appropriated Fund balances	3,615,499	-	4,818,614
Total Other financing sources (uses)	5,612,210	-	3,588,243
Estimated revenues & other sources over appropriations & other uses:	-	-	-

CITY OF HIGH POINT
Compiled Budget - Annually Budgeted Funds
Fiscal Year 2016-2017
(As of August 31, 2016)

	GENERAL FUND	SPECIAL REVENUE FUND	ENTERPRISE FUND
Revenues:			
Taxes	\$ 83,689,708	\$ -	\$ -
Intergovernmental revenues	9,846,723	7,334,794	-
Licenses and permits	3,991,150	-	-
Fines and forfeitures	82,500	-	-
Charges for services	19,939,792	-	201,510,916
Interest on investments	180,000	-	535,000
Miscellaneous revenues	2,545,000	-	64,110
Rents	-	-	70,000
Landfill - State Excise Tax	-	-	70,000
Operating revenue & grants	-	-	520,360
Other non-operating	-	-	2,530,598
Total estimated revenues	120,274,873	7,334,794	205,300,984
 Appropriations:			
General Government	26,510,319	4,363,587	-
Public safety	53,719,921	162,610	-
Public services	6,976,231	-	-
Planning and Community Development	1,920,831	2,759,012	-
Cultural and recreation	18,058,349	49,585	-
Economic Development	757,000	-	-
Insurance Reserve Fund	15,387,430	-	-
Market Authority	2,990,000	-	-
Debt service: Principal retirement	-	-	12,037,857
Interest & fiscal charges	-	-	8,407,053
Contingency	400,000	-	3,166,518
Services-personnel	-	-	22,669,487
Operating Expenses	-	-	139,565,600
Capital outlay	-	-	21,550,700
Total appropriations	126,720,081	7,334,794	207,397,215
Estimated Revenues over/under appropriations	(6,445,208)	-	(2,096,231)
 Other Financing Sources (Uses):			
Transfers from other funds:			
General Fund	315,000	-	2,372,034
Enterprise Fund - Electric Fund	1,110,000	-	-
Enterprise Fund - Water-Sewer Fund	50,000	-	-
 Transfers to other funds:			
General Fund	8,352,470	-	-
Capital Projects Fund	(1,077,000)	-	(80,000)
Debt Service Fund	(4,743,550)	-	-
Enterprise Fund	(1,034,327)	-	(1,970,708)
Trust Fund - Police Separation	(50,000)	-	-
Economic Development	(75,000)	-	(400,000)
Market Authority	(240,000)	-	(760,000)
Total transfers to (from) other funds	2,607,593	-	(838,674)
Appropriated Fund balances	3,837,615	-	2,934,905
Total Other financing sources (uses)	6,445,208	-	2,096,231
Estimated revenues & other sources over appropriations & other uses:	-	-	-



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[Form of Opinion of Bond Counsel]

October __, 2016

City Council of the
City of High Point, North Carolina

We have examined, as bond counsel to the City of High Point, 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 \$_____ General Obligation Refunding Bonds, Series 2016, dated their date of delivery (the “Bonds”).

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. Assuming continuing compliance by the City with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding, among other matters, use, expenditure and investment of Bond proceeds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code on corporations and other taxpayers, including individuals; however, such interest is includable in determining adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed by the Code on corporations.

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.

BOOK-ENTRY ONLY SYSTEM

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

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

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“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.

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

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

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

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

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

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

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

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

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

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

Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

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