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

PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2026

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 (the "City") 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.

\$17,555,000
City of High Point, North Carolina
General Obligation Bonds, Series 2026

Consisting of
\$5,555,000 General Obligation Streets and Sidewalk Bonds, Series 2026A
and
\$12,000,000 General Obligation Parks and Recreation Bonds, Series 2026B

Dated: Date of Delivery

Due: As shown on inside cover page

Tax Treatment

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the City with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

Redemption

The 2026A Bonds will not be subject to redemption prior to their maturities. The 2026B Bonds will be subject to redemption prior to their maturities as described herein.

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 September 1, 2026.

Denominations

\$5,000 or any integral multiple thereof.

Expected Closing/Settlement

June 2, 2026 for the 2026A Bonds.
June 3, 2026 for the 2026B Bonds.

Bond Counsel

Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina

Municipal Advisor

Davenport & Company LLC, Charlotte, North Carolina

Sale Date

May 12, 2026

Sale of Bonds

Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is May __, 2026

MATURITY SCHEDULES

\$5,555,000
City of High Point, North Carolina
General Obligation Streets and Sidewalk, Series 2026A

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ¹	<u>CUSIP</u> ⁺
2027	\$880,000			
2028	880,000			
2029	880,000			
2030	880,000			
2031	880,000			
2032	880,000			
2033	275,000			

\$12,000,000
City of High Point, North Carolina
General Obligation Parks and Recreation Bonds , Series 2026B

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> ²	<u>CUSIP</u> ⁺
2033	\$605,000			
2034	880,000			
2035	880,000			
2036	880,000			
2037	880,000			
2038	875,000			
2039	875,000			
2040	875,000			
2041	875,000			
2042	875,000			
2043	875,000			
2044	875,000			
2045	875,000			
2046	875,000			

¹ Information obtained from the underwriters of the 2026A Bonds.

² Information obtained from the underwriters of the 2026B Bonds.

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CITY OF HIGH POINT, NORTH CAROLINA

CITY COUNCIL

Cyril Jefferson..... Mayor

Monica PetersMayor Pro-Tempore

Tim Andrew

Dr. Patrick H. Harman

Michael A. Holmes

Tyrone Johnson

Vickie M. McKiver

Britt W. Moore

Christopher Williams

CITY STAFF

Tasha Logan Ford..... City Manager

Greg Ferguson.....Deputy City Manager

Eric Olmedo..... Assistant City Manager

Damon Dequenne Assistant City Manager

Bobby FitzjohnFinancial Services Director

Meghan Maguire..... City Attorney

Sandra Keeney..... City Clerk

MUNICIPAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina

BOND COUNSEL

Parker Poe Adams & Bernstein LLP
Charlotte, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
LOCAL GOVERNMENT COMMISSION

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the sale and issuance of \$17,555,000 General Obligation Bonds of the City of High Point, North Carolina (the “City”), consisting of \$5,555,000 General Obligation Streets and Sidewalk Bonds, Series 2026A (the “2026A Bonds”) and \$12,000,000 General Obligation Parks and Recreation Bonds, Series 2026B (the “2026B Bonds” and together with the 2026A Bonds, the “Bonds”).

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.

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 September 1, 2026, 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.

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

The Bonds will be issuable as fully registered bonds in a book-entry system maintained by The Depository Trust Company, Jersey City, New Jersey (the "DTC"). 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 any integral multiple thereof 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.

Redemption Provisions

The 2026A Bonds will not be subject to redemption prior to their stated maturities.

The 2026B Bonds maturing on and after March 1, 2037 are subject to redemption prior to their stated maturities at the option of the City on or after March 1, 2036 in whole or in part at any time at a redemption price equal to 100% of the principal amount of each 2026B Bond to be redeemed, together with accrued interest thereon to the redemption date.

If less than all of the 2026B Bonds are called for redemption, the City shall select the maturity or maturities of the 2026B Bonds to be redeemed in such manner as the City in its discretion may determine and DTC and its participants shall determine which of the 2026B Bonds within a maturity are to be redeemed in accordance with its rules and procedures; provided, however, that the portion of any 2026B Bond to be redeemed shall be in principal amount of \$5,000 or integral multiples thereof and that, in selecting 2026B Bonds for redemption, each 2026B Bond shall be considered as representing that number of 2026B Bonds which is obtained by dividing the principal amount of such 2026B Bond by \$5,000. Whenever the City elects to redeem 2026B Bonds, notice of such redemption of 2026B Bonds, stating the redemption date, redemption price and any conditions to the redemption and identifying the 2026B Bonds or portions thereof to be redeemed and further stating that on such redemption date there shall become due and payable on each 2026B Bond or portion thereof so to be redeemed, the principal thereof, and interest accrued to the redemption date and that from and after such date interest thereon shall cease to accrue, shall be given not less than 30 days nor more than 60 days before the redemption date in writing to DTC or its nominee as the registered owner of the 2026B Bonds, by prepaid certified or registered United States mail (or by such other means as permitted by DTC's rules and procedures), at the address provided to the City by DTC, but any failure or defect in respect of such mailing will not affect the validity of the redemption. If DTC is not the registered owner of the 2026B Bonds, the City will give notice at the time set forth above by prepaid first-class United States mail, to the then-registered owners of the 2026B Bonds or portions thereof to be redeemed at the last address shown on the registration books kept by the City.

If at the time of mailing of the notice of redemption there is not on deposit money sufficient to redeem the 2026B Bonds called for redemption, such notice may state that it is conditional on the deposit of money for the redemption on the date of redemption as set forth in the notice. Any notice, once given, may be withdrawn or modified by notice delivered in the same manner as the notice of redemption was given.

Authorization and Purpose

The Series 2026A Bonds are being issued pursuant to the provisions of The Local Government Bond Act, 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 (the “Council”) on April 6, 2026, which bond order was adopted and is now in effect and the Bond Resolution which was adopted on April 6, 2026. The order and the resolution authorizes the Streets and Sidewalk Bonds to be issued to pay for streets and sidewalk projects, including necessary right-of-way acquisition and other costs for the Triangle Lake Road improvements project.

The Series 2026B Bonds are being issued pursuant to the provisions of Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, a bond order duly adopted by the Council on August 19, 2019, which order was approved by the vote of a majority of qualified voters of the City who voted thereon at a referendum duly called and held on November 5, 2019 and the Bond Resolution. The 2026B Bonds are being issued to fund park and recreation improvements including a Center for Active Adults (the “CAA”) which will host a variety of activities for residents age 50 and older.

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 ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

THE CITY

General Description

The City is located predominantly in Guilford County (the “County”), with small portions located in Randolph, Forsyth and Davidson Counties. The City 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 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 data from the United States Census Bureau.

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 (the “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>	<u>2020</u>
69,428	85,839	104,371	114,115

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

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
115,304	115,605	116,687	117,674

The City’s Planning and Development Department has estimated the City’s current population to be 118,399.

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

<u>Year</u>	<u>County</u> ¹	<u>State</u>	<u>United States</u>
2020	\$50,134	\$51,816	\$59,151
2021	54,681	57,233	64,692
2022	56,823	59,092	66,298
2023	60,356	62,233	70,002
2024	63,665	65,634	73,204

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 in the center of North Carolina’s third largest Combined Statistical Area (CSA) with a labor force of approximately 816,000. The City is a “gig city” having internet connections that are up to one gigabit per second. The City serves as a center for home furnishings, manufacturing, distribution/logistics, commercial photography, high tech pharmaceuticals and service providers.

The City was named a “2024 All-American City” by the National Civic League for its work in strengthening democracy through local action and innovation. The title is awarded to communities finding creative ways to engage community members and build relationships within the City. The City previously won the award in 1962.

High Point 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 Home Furnishings Market, the world’s largest international home furnishings trade show, each April and October, and the international “Interwoven” fabric market each May and November. Annually, these markets attract more than 150,000 domestic and international exhibitors and buyers from more than 100 countries. The International Market Centers owns and operates 17 showrooms within 7 million square feet of the 11.5 million square feet of showroom space located throughout the City.

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 conjunction to furniture sales, the City’s furniture industry has had a positive impact on the City’s hospitality industry.

A growing number of diverse companies serve 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 Home Furnishings Alliance, 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. 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 two employers are furniture related. These furniture-related firms employ 3.5% (or 776) of the 22,413 employed by the top 20 major employers in the City. The other 18 major employers serve the finance, customer service, logistics and distribution, health care, local government and education sectors. The City is home to 80 companies that 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. Tenants in Piedmont Centre include several of the City's top 20 employers.

In December 2024, Alro Steel announced that the steel and plastics distributor will expand through a \$10-million tripling of space under one roof, growing to a 140,000 square-foot operation.

In December 2021, Toyota announced it will build a \$1.3 billion plant near the City in Randolph County to produce batteries for electric and hybrid vehicles. The plant, which began production in 2025, is Toyota's first U.S. battery plant and marks the largest private-capital investment in the State's history at the time. Toyota's original hiring plan was at least 1,750 workers for production of more than a million batteries a year. Since then, Toyota's commitment has grown significantly as the facility has opened and expanded into a roughly \$13.9 billion operation that will create over 5,100 jobs and ultimately feature 14 battery production lines for hybrid, plug-in hybrid, and battery electric vehicles.

In January 2022, startup aircraft manufacturer Boom Supersonic announced it will manufacture its cutting-edge jets at Piedmont Triad International Airport. The company pledges to create 1,760 jobs at the outset and invest \$500 million. In 2025, Boom's XB-1 performed its first supersonic test flight.

In June 2025, JetZero announced a \$4.7 billion investment to build its first commercial airplane manufacturing facility at the Piedmont Triad International Airport. The project will create more than 14,560 jobs for Guilford County by 2063, the largest economic development project in North Carolina history based on job commitment.

In May 2024 the City began an expansion project near the Palladium Center located in Northeast High Point. The project expanded Samet Drive and will lead to the eventual development of approximately 36 acres. Planned development in "Palladium South" includes apartments, restaurants, shopping and more.

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 completed a \$150+ million renovation and expansion of the hospital's operating rooms and upgrades to its building infrastructure. Wake Forest Baptist Health acquired High Point Regional Health System from UNC Health Care in summer 2018. In October 2020, Wake Forest Baptist Health merged with Atrium Health.

Publicly announced in April 2017, the Downtown Catalyst Project was revealed to highlight the expected revitalization of the City's current downtown area. The construction of a Downtown Multi-Use Sports and Entertainment Facility (now Truist Point) was the immediate focus, a facility that can be used for baseball, soccer, and other sports, host as a concert venue, and serve as an outlet for much needed community gathering space. Construction is completed and the High Point Rockers baseball team played their opening baseball game in May 2019. The first concert held at Truist Point was in collaboration with the October 2021 Furniture Market. And in Spring 2024, Truist Point became home to professional men's soccer team, Carolina Core Football Club, that competes in the MLS Next Pro League.

Congden Yards, a multi-use development adjacent to Truist Point Stadium, continues to expand its campus. The campus includes the Adams-Millis Hosiery Mill and the former Stickley Furniture building. The Congdon family has invested more than \$30 million in the project. Congdon Yards is intended to be a magnet for small-time furniture entrepreneurs. It features a state-of-the-art fabrication facility, meeting hall, library, event spaces, showrooms, eating and dining venues and a common area.

The City has acquired land around Truist Point Stadium and is actively working with developers to bring new life to the downtown area. The first private development, The Bedrock, features Stock and Grain Food Hall on its first level and office space on second and third floors, both of which overlook Truist Point Stadium. Current tenants include Key Risk, Coldwell Banker, iHeart Radio and Eicholtz Furniture.

Showplace West, a 135,000 square-foot historic office building located in the City's downtown, is in its planning stages of renovating into a mixed-use development featuring market-rate apartments and commercial space. The project will continue to transform the City's downtown core. Further efforts to transform the City's downtown core include property acquisition for a future government complex and public parking.

In Fall 2021, the City was awarded a \$19.8 million USDOT BUILD (formerly RAISE) grant to improve mobility downtown. The project will construct approximately 3.5 miles of shared use greenway, approximately 1.2 miles of complete streets and two blocks of bicycle boulevards. A \$2.9 million engineering and design contract was awarded in June of 2023 and is expected to be completed by mid-2027.

In April 2022, developers announced a 128-room Springhill Suites by Marriott coming to the City's downtown near the Congdon Yard development. The hotel will encompass a historic building that was once part of the Adams-Millis Hosiery Mill as well as a newly constructed tower building. Construction began in the fall of 2023 and completed in October 2025.

In August 2024, a 30,000-square-foot mixed-use development was announced for Lindsay Street, located in the core of the City's downtown. The development will consist of an entertainment complex, rooftop bar, and a seafood restaurant.

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	3,008
Atrium Wake Forest Baptist Health ¹	Health Care	2,200
Aetna	Insurance/Service Center	2,200
High Point University	Secondary Education	2,195
Guilford County Schools (employees in High Point schools and offices)	Public Education	1,929
Daimler's Thomas Built Buses	Bus Manufacturing	1,917
City of High Point	Local Government	1,402
Volvo Group North America	Automotive	1,000
ZIM ¹	Aviation	844
Slane Hosiery Mills	Footwear	582
Micky Truck Bodies	Automotive	500
Culp	Fabrics	500
Guilford County	Government	489
Marsh Furniture Company	Cabinetry	472
Fastenal	Industrial & Construction Supplies	465
ThermoFisher Scientific	Pharmaceuticals	380
Quest Diagnostics	Clinical Laboratory	320
Pennybyrn	Retirement Community	316
Vann York Auto Group	Vehicle Dealership	304
Davis Furniture	Furniture Manufacturing	304

¹ Formerly HAECO.

Source: High Point Economic Development Corporation Survey (December 2025, latest data available).

Total taxable sales within the County for the five fiscal years ended June 30, 2021 through 2025 and for a portion of 2026 are shown in the following table:

<u>Fiscal Year Ended/Ending June 30</u>	<u>Total Taxable Sales</u>	<u>Increase Over Previous Year</u>
2021	\$8,744,857,835	11.72%
2022	10,091,509,685	15.40
2023	10,871,340,236	7.73
2024	11,176,496,834	2.81
2025	11,281,553,124	0.94
2026 (8 months) ¹	7,779,480,240	--

¹ The comparable figure for the eight-month period ended January 31, 2026 was \$7,563,028,123.

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:

Year	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2021	7.8%	7.6%	6.9%	6.6%	6.5%	7.0%	6.6%	6.2%	5.5%	5.5%	5.0%	4.3%
2022	5.1	4.6	4.3	3.7	4.1	4.7	5.0	5.0	4.0	4.2	4.3	4.1
2023	4.4	4.3	4.2	3.7	4.3	4.7	4.7	4.8	3.8	3.9	3.9	3.9
2024	4.5	4.8	4.6	4.1	4.6	5.2	5.5	4.9	4.0	4.0	4.2	4.1
2025	4.6	4.6	4.4	4.0	4.5	5.0	5.3	5.0	4.4	N/A ¹	4.4	4.2
2026	5.1	N/A	N/A	N/A								

¹ Due to Federal shutdown, October 2025 unemployment was not calculated.

The City's unemployment rate averaged 4.6% for calendar year 2025, as compared to 4.3% for the County (Guilford), 3.8% for the State and 4.3% for the U.S.

Government and Major Services

GOVERNMENT STRUCTURE

The City has a Council-Manager form of government. The 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 four-year term. The remainder of 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 four-year terms. The next municipal election will be held in November 2027.

The City Manager, the chief executive officer of the City, is appointed by and serves at the pleasure of the Council. The Manager is responsible for carrying out the policies and ordinances of the 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 High Point 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 (the “ADM”) in the Guilford County schools and the number of schools for the last five school years:

School Year	Elementary (Grades K-5)		Middle (Grades 6-8)		High (Grades 9-12)		Other (Grades K-12)	
	Number	ADM⁽¹⁾	Number	ADM⁽¹⁾	Number	ADM⁽¹⁾	Number	ADM⁽¹⁾
2021-22	68	27,854	23	15,769	18	20,543	15	2,164
2022-23	68	28,764	23	15,374	18	19,740	13	2,952
2023-24	68	28,229	23	15,012	18	19,809	13	2,829
2024-25	68	28,398	23	14,756	18	21,551	13	2,952
2025-26	68	28,290	23	14,695	18	21,539	13	2,494

¹ ADM (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computation is used as a basis for teacher allotments.

Other (Grades K-12) includes Virtual Schools, Choice/Magnet Middle and High schools, and Specialty schools all grades.

Source: North Carolina Department of Public Instruction and Guilford County Schools.

The educational needs of the citizens of High Point are served by a variety of quality public and private primary, secondary and post-secondary facilities. The public 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. High Point 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. 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. In April 2022 the Nido and Mariana Qubein Children’s Museum opened in Downtown High Point offering additional opportunities for education and entertainment in the City.

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 2024 enrollment totaled 6,335, comprised of both graduate and undergraduate students. The University has announced a \$1 billion investment on the campus over the next 10 years. With projects still underway, the University’s \$170 million Qubein Arena and Conference Center opened in September 2021. The University is the City’s 4th largest employer with 2,195 employees. The University’s slogan, “Choose to be Extraordinary” is not just a slogan, but a passion and vision for the institution. High Point University’s annual economic impact is estimated to be \$765 million. In recent years, the University established a School of Engineering, School of Law, School of Dental Medicine, School of Optometry, and School of Nursing.

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 currently serves more than 30,000 students as of Fall 2025. 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 (the “High Point Regional”) transitioned from an affiliate of the UNC Health Care System to ownership by Wake Forest Baptist Medical Center. In October 2017, Wake Forest Baptist Medical Center in Winston-Salem signed an agreement to acquire High Point Regional from the UNC Health Care System. Change of ownership occurred on September 1, 2018. Atrium Health acquired the Wake Forest Baptist Health system in October 2020. High Point Regional includes a 351-bed hospital facility, as well as complementary facilities staffed by more than 2,600 healthcare 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; an urgent care/outpatient center and a wide range of cancer treatments at the Hayworth Cancer Center. The hospital underwent a \$150 million renovation/expansion project in connection with its affiliation with the UNC Health Care System.

In addition to High Point Regional and Wake Forest Baptist Medical Center, there are three other hospitals located within a 25-mile radius of the City, including Moses Cone Health System, Novant Health Forsyth Medical Center and Novant Health Thomasville Medical Center.

TRANSPORTATION

The City and the State combine to maintain approximately 584 miles of streets within the City limits. Improvement and expansion of the City street network is primarily funded through debt financing, 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. Interstate Highways 40, 74 and 85, U.S. Highways 29, 70 and 311, and N.C. Highways 68 and 62 serve the City. Companies located in the City have immediate access to Interstate Highways 40, 74 and 85, with Interstate Highway 73 adjacent to the City’s northeast border and Interstate Highway 77 less than 25 miles to the west.

The Piedmont Triad International Airport (the “Airport”) is approximately four miles from the City. The Airport is served by four major airlines (American, Delta, United, and Allegiant Air). For the calendar year ended December 31, 2024, daily flights carried 984,779 enplaned passengers. The Piedmont Triad Airport Authority owns and operates the Airport. Through November 2025, 935,094 enplaned passengers were reported, compared to 900,250 in the same period in 2024.

Companies such as FedEx, Honda Aircraft Company, HAECO Americas, Boom, Purolator Advanced Filtration, North State Aviation, B/E Aerospace, Honda Aero, and Triumph Aerospace are pushing the envelope of innovation and providing thousands of jobs to skilled aviation workers.

Amtrak operates two passenger routes through the City with a stop in downtown High Point. Norfolk-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 46 parks and sites, 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 a splash pad

and hiking/biking greenway trails. In 2018, the Hedgecock Dog Park was opened providing a much-desired facility to the citizens. The City is the site of the State'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 the surrounding communities. In 2022, the City completed a major renovation of City Lake Park, modernizing the competition style pool and adding water park amenities as well as a conference space for community groups.

The City has constructed an approximately 4,400 seat multi-use stadium located on approximately five acres in the City's downtown, home ballpark for the High Point Rockers, an Atlantic League minor league baseball team. In addition to baseball, this multi-use stadium is a venue for area university and high school football, baseball and lacrosse games, as well as concerts and other community events.

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 Hi-Fest, a multi-cultural fall festival and the John Coltrane International Jazz Festival held annually at Oak Hollow's Festival Park.

The City owns and operates the High Point Theatre which hosts more than 25 productions a year. The City provides several avenues for the display of traditional and contemporary art of all types via the High Point Library, public spaces, 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 are fed by the Deep River and supply raw water to the City. The Ward Water Treatment Plant's capacity is 24 million gallons per day (the "MGD"). The average daily water consumption for the fiscal year ended June 30, 2025 was 10.9 MGD, with a recorded peak daily demand of 16.09 MGD. Finished water storage is provided by 16 million gallons (the "MG") of ground storage and 3 MG of elevated storage. The City supplies water service to approximately 44,434 residential, industrial and commercial customer accounts.

The City's long-term capacity needs are being met through the Piedmont Triad Regional Water Authority (the "PTRWA"). PTRWA was formed in 1987, and its members consist of one county and five municipalities, including the City. PTRWA 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 provide 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 PTRWA and PTRWA'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 PTRWA, 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 36 MGD is divided between the Eastside Plant with a 26 MGD capacity and the Westside Plant with a 10 MGD capacity. The average daily discharge for the fiscal year ended June 30, 2025 was 17.5 MGD combined. The maximum peak discharge flow recorded in the fiscal year was 46.0 MGD for Eastside Plant and 13.3 MGD for the Westside Plant. The City supplies wastewater service to approximately 42,486 residential, industrial and commercial customer accounts.

Parking System

The City currently operates three off-street parking garages and one surface lot comprising a total of 1,234 spaces. For the fiscal year ended June 30, 2025, the City served a cumulative total of 532 monthly rate customers, 10,627 hourly rate customers and 238 validations.

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 160,590 tons of municipal solid waste for the fiscal year ended June 30, 2025. The landfill facility has a remaining useful life of approximately 16 years.

Electric Distribution System

The City owns and operates an electric distribution system within the City. The service area includes 793 circuit miles of wire through 14 substations. Consumption during the fiscal year ended June 30, 2025 was 1.151 billion KW H, all of which was purchased from North Carolina Municipal Power Agency Number 1, a joint agency of the State of North Carolina (the "Power Agency").

The City and 18 other North Carolina municipalities are members (the "Participants") of the Power Agency, which owns a 75% undivided ownership interest in the 1,145 megawatt Unit 2, and 37.5% undivided ownership interest in certain support facilities, of the Catawba Nuclear Station (the "Catawba Project") operated by Duke Energy Carolinas, LLC (the "Duke") in York County, South Carolina. In addition, the Power Agency has entered into certain agreements (the "Project Agreements") with Duke, a co-owner of the Catawba Project, for the operation of the Catawba Project by Duke, for interconnection of the Catawba Project with the Duke electric system and for certain other services provided by Duke to the Power Agency.

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 Catawba 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 second agreement (the "Supplemental Power Sales Agreement") with the Power Agency provides in effect that the Power Agency is the "all requirements" bulk power supplier and that the City is obligated to purchase all of its bulk power supply requirements from the Power Agency. The Power Agency provides the additional power and energy, in excess of Project Output supplied from the Catawba Project, required to meet the bulk power supply requirements of all the Participants through various owned power supply resources and contractual arrangements. The gross purchases of power by the City for the fiscal year ended June 30, 2025 totaled \$70,116,696.

To finance its ownership in the Catawba Project, the Power Agency has issued revenue bonds, which have a final maturity on January 1, 2032. As of January 2026, the Power Agency had bonds outstanding in the aggregate principal amount of \$409,740,000, of which the City's share is 18.96%, or \$77,686,704.

The City is also a member of ElectriCities of North Carolina, Inc. (the "ElectriCities"), a joint municipal agency serving the interests 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 17 associate members comprised of municipalities from Virginia and South Carolina and six constituent institutions of the of the University of North Carolina system, each of which owns and operates an electric distribution system.

On February 1, 1996, the Council adopted an Electric Fund Transfer Policy, which restricts the amount of funds which can be transferred to the General Fund from the Electric Fund. The policy allows the City to budget an annual payment in lieu of taxes amount from the Electric Fund to the General Fund that approximates the amount of ad valorem taxes that would have been paid had electric services been provided by an investor-owned utility. The City may also budget an operating transfer from the Electric Fund to the General Fund not to exceed 3% of the gross fixed assets of the Electric Fund as reported in the City's most recent audited financial statements. However, the City has not initiated an operating transfer from the Electric Fund to the General Fund since the fiscal year ended June 30, 2001.

The City continues to maintain and expand its electric system through a capital plan that provides for investing electric revenues in the amount of almost \$43.8 million over the next five years. The City's reliability factor is 99.98%.

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 \$1.057 billion as of June 30, 2025. 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.

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OUTSTANDING GENERAL OBLIGATION DEBT

	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
General Obligation Bonds				
Street and Sidewalk	\$12,014,046	\$11,448,132	\$16,307,218	\$14,871,304
Parks and Recreation	15,997,058	14,989,130	13,981,202	12,973,274
Refunding	34,493,000	28,553,000	23,207,000	17,944,000
Other	<u>12,558,896</u>	<u>11,932,738</u>	<u>11,306,580</u>	<u>10,680,422</u>
Total G.O. Debt	<u>\$75,063,000</u>	<u>\$66,923,000</u>	<u>\$64,802,000</u>	<u>\$56,469,000</u>

Latest Bonds Issued

2021-22	\$5,130,000 General Obligation Parks and Recreation Bonds, Series 2022A, 2.6002% true interest cost, 5.31 year average maturity, maturing March 1, 2032.
	\$26,000,000 General Obligation Public Improvement Bonds, Series 2022B, 3.2291% true interest cost, average maturity 11.32 years, maturing March 1, 2042.
	\$7,081,000 General Obligation Refunding Bond, Series 2022C, 1.960% true interest cost, average maturity 3.285 years, maturing March 1, 2032.
2023-24	\$5,425,000 General Obligation Streets and Sidewalk Bond, Series 2024, 4.301% true interest cost, average maturity 3.504 years, maturing March 1, 2031.

GENERAL OBLIGATION DEBT RATIOS

<u>At June 30</u>	<u>Total G.O. Debt</u>	<u>Assessed Valuation</u>	<u>Total G.O. Debt To Assessed Valuation</u>	<u>Population¹</u>	<u>Total G.O. Debt Per Capita</u>
2021	\$51,175,000	\$10,205,211,727	0.50%	115,304 ¹	\$444
2022	75,063,000	10,426,450,028	0.72	115,605 ¹	649
2023	66,923,000	13,069,499,661	0.51	116,687 ¹	574
2024	64,802,000	13,479,622,996	0.48	117,674 ¹	551
2025	56,469,000	13,809,150,888	0.41	118,390 ²	477
After Bonds Now Offered are Issued	\$65,923,000	\$14,193,352,091 ³	0.46%	118,390 ²	\$557

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

² Estimate of the City's Planning and Development Department.

³ Estimate.

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GENERAL OBLIGATION BOND DEBT SERVICE REQUIREMENTS AS OF JUNE 30, 2025 AND MATURITY SCHEDULES

Fiscal Year	EXISTING DEBT						BONDS NOW OFFERED	
	UTILITY		OTHER		TOTAL		Series 2026A ¹	Series 2026B ¹
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest		
2025-26	\$ 165,101	\$ 246,147	\$ 7,085,641	\$ 8,993,844	\$ 7,250,742	\$ 9,239,991	\$ -	\$ -
2026-27	165,417	238,207	6,583,045	8,235,227	6,748,461	8,473,435	880,000	-
2027-28	164,470	230,191	5,984,108	7,412,449	6,148,578	7,642,640	880,000	-
2028-29	164,668	222,165	5,129,755	6,348,897	5,294,423	6,571,062	880,000	-
2029-30	105,365	155,222	4,524,601	5,564,926	4,629,966	5,720,148	880,000	-
2030-31	105,365	149,954	2,585,580	3,465,992	2,690,945	3,615,945	880,000	-
2031-32	105,365	144,685	2,378,631	3,149,007	2,483,996	3,293,693	880,000	-
2032-33	105,365	139,417	2,200,000	2,867,988	2,305,365	3,007,405	275,000	605,000
2033-34	105,365	135,203	2,200,000	2,784,585	2,305,365	2,919,788		880,000
2034-35	105,121	130,744	1,895,000	2,396,018	2,000,121	2,526,762		880,000
2035-36	105,121	127,591	1,895,000	2,322,198	2,000,121	2,449,788		880,000
2036-37	105,121	124,437	1,895,000	2,248,213	2,000,121	2,372,649		880,000
2037-38	105,121	121,283	1,895,000	2,185,800	2,000,121	2,307,083		875,000
2038-39	105,121	118,130	1,895,000	2,122,563	2,000,121	2,240,692		875,000
2039-40	105,121	114,976	1,565,000	1,727,369	1,670,121	1,842,345		875,000
2040-41	105,121	111,691	1,565,000	1,674,550	1,670,121	1,786,241		875,000
2041-42	105,121	108,406	1,565,000	1,619,775	1,670,121	1,728,181		875,000
2042-43			330,000	342,375	330,000	342,375		875,000
2043-44								875,000
2044-45								875,000
2045-46								875,000
TOTALS ²	\$ 2,027,447	\$ 2,618,449	\$ 53,171,360	\$ 65,461,773	\$ 55,198,807	\$ 68,080,222	\$ 5,555,000	\$ 12,000,000

¹ Principal only.

² Columns may not foot due to rounding.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Streets & Sidewalk	11/5/2019	\$12,000,000	--	\$12,000,000 ¹
Parks & Recreation	11/5/2019	12,000,000	\$12,000,000	--
Refunding	3/7/2022	12,919,000	--	12,919,000 ²
Streets and Sidewalk	4/6/2026	<u>5,555,000</u>	<u>5,555,000</u>	
Totals		<u>\$49,555,000</u>	<u>\$17,555,000</u>	<u>\$24,919,000</u>

¹ This authorization was recently extended for 3 years to November 5, 2029.

² The City has no plans to issue the remainder of these bonds at present.

GENERAL OBLIGATION DEBT INFORMATION FOR GUILFORD COUNTY AS OF JUNE 30, 2025

<u>Unit</u>	<u>2024 Population¹</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Bonds Authorized and Unissued</u>	<u>Total GO Debt</u>	<u>GO Debt per Capita</u>
Guilford County	555,569	\$73,380,350,709	\$0.7305	\$1,130,000	\$1,186,995,000	\$2,137

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>
2026	\$ 2,924,552
2027	2,793,667
2028	2,569,746
2029	2,542,859
2030	<u>1,735,089</u>
Total	<u>\$5,729,001</u>

The City issued \$35,000,000 in taxable limited obligation bonds in February 2018 for the purpose of constructing of the City’s new downtown stadium. Debt service on these bonds is payable from any available funds of the City, subject to annual appropriation, and is secured by a lien on the stadium. Debt service requirements on these bonds through the final maturity in the fiscal year ending June 30, 2039 total \$32,814,973, with debt service requirements for the fiscal year ending June 30, 2026 total \$2,511,026.

The City issued \$18,175,000 in tax-exempt limited obligation bonds in April 2020 for the purpose of construction and renovation of the City’s Police Department Headquarters and Communication Center. Debt service on these bonds is payable from any available funds of the City, subject to annual appropriation, and is secured by a lien on the building. Debt service requirements on these bonds through the final maturity in the fiscal year ending June 30, 2040 total \$16,814,082, with debt service requirements for the fiscal year ending June 30, 2026 total \$1,265,461.

The City issued \$6,800,000 in taxable limited obligation bonds in April 2020 for the purpose of construction and renovation of the City’s multi-use stadium to allow for the use of a professional soccer team, expanding the use and increasing the impact of the City’s investment. Debt service on these

bonds is payable from any available funds of the City, subject to annual appropriation, and is secured by a lien on the stadium. Debt service requirements on these bonds through the final maturity in the fiscal year ending June 30, 2040 total \$9,798,581, with debt service requirements for the fiscal year ending June 30, 2026 total \$821,684.

The City has issued water and sewer combined enterprise system revenue bonds for various water and sewer infrastructure projects, \$188,389,000 of which is outstanding as of June 30, 2025. 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, 2051 total \$260,977,853, and debt service requirements on these bonds for the fiscal year ending June 30, 2026 total \$16,680,190.

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 Plant in connection with the City’s wastewater 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 \$163,046 and debt service requirements for the fiscal year ending June 30, 2026 total \$32,609.

For additional information on debt service requirements due, see Note 10 in the financial statements included in Appendix D herein.

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 voter-approved \$12,000,000 Streets and Sidewalk Bonds are expected to be issued within the next three years along with some “two-thirds” bonds of about \$5.5 million. The City continues to evaluate its water and sewer infrastructure needs on a priority basis. The City intends to fund these capital projects through revenue bonds totaling approximately \$200 million over the next three to four years. Additionally, the City expects to issue limited obligation bonds of about \$13 million within the next 1 to 2 years for facility improvements.

TAX INFORMATION

GENERAL INFORMATION

	Fiscal Years Ended June 30,			
	2023	2024	2025	2026³
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$10,776,478,359	\$11,062,652,740	\$11,238,155,673	\$11,451,818,684
Personal Property	2,144,255,909	2,255,957,167	2,386,998,229	2,547,956,599
Public Service Companies ²	<u>148,765,393</u>	<u>161,013,089</u>	<u>183,996,986</u>	<u>193,576,808</u>
Total Assessed Valuation	<u>\$13,069,499,661</u>	<u>\$13,479,622,996</u>	<u>\$13,809,150,888</u>	<u>\$14,193,352,091</u>
Rate Per \$100	0.6175	0.6175	0.6475	0.6475
Levy	\$80,704,160	\$83,236,672	\$89,414,252	\$91,901,955

¹Percentage of assessed value has been established by statute.

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

³Estimate.

Note: The revaluation of real property became effective with the July 1, 2022 tax levy. The next revaluation of real property will become effective with the July 1, 2026 tax levy.

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>
2021	\$673,539	\$67,291,167	99.3%
2022	750,955	69,256,206	99.3
2023	375,993	82,613,519	99.3
2024	314,995	85,150,742	99.4
2025	279,017	91,329,639	99.4

TEN LARGEST TAXPAYERS FOR FISCAL YEAR ENDED JUNE 30, 2025

<u>Name</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
International Market Centers, LP (IHFC)	Home Furnishings Showroom	\$420,075,234	3.04%
BCORE Affiliates	Real Estate	173,728,300	1.26
EBSCO Income Properties	Real Estate	95,807,332	0.69
Amada	Manufacturing	86,189,775	0.62
Thomas Built Buses/Daimler Trucks	Bus Manufacturing	85,128,689	0.62
Blue Ridge Companies	Real Estate	81,988,345	0.59
The Carroll Companies	Real Estate	80,166,141	0.58
Peters Development Group	Real Estate	78,755,123	0.57
Ralph Lauren Corporation (Polo)	Clothing	63,166,202	0.46
Carolina Investment Properties	Real Estate	60,188,201	0.44
	Totals	<u>\$1,225,193,342</u>	<u>8.87%</u>

Fiscal Year 2025-26 Budget Commentary

On June 2, 2025, the Council adopted a General Fund budget for fiscal year ending June 30, 2026 in the amount of \$153,485,824, which is an increase of \$6,447,035 (4.4%) from the General Fund budget for fiscal year ended June 30, 2025. The adopted General Fund budget for the fiscal year ending June 30, 2026 held the property tax rate steady at 64.75¢ per \$100 assessed valuation. The adopted General Fund budget for the fiscal year ending June 30, 2026 continues the 3.4¢ 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 and November 2019. 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. As of February 28, 2026, approximately 72.4% of budgeted revenues have been collected and 58.9% of appropriations have been expended.

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 the 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 contribution rate for the City was 13.60% of eligible payroll for general employees and 15.10% of eligible payroll for law enforcement officers for the fiscal year ended June 30, 2025. The employer contribution rate for fiscal year ending June 30, 2026 is 14.35% for general employees and 16.10% 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 hereto.

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 the Notes in the City's basic financial statements included 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 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 (the "PRPs") for the adjacent site entered into a Remedial Action Settlement Agreement with the N.C. 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.

Cybersecurity

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

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City has implemented multiple forms of cybersecurity and operational safeguards. These safeguards include Security Awareness Training, management of network and security teams on a weekly basis to review strategies and threat mitigation, adoption of IT policies, procedures and standards as they relate to cybersecurity, and investment in cybersecurity products and software to prevent breaches from penetrating the City’s systems. The City has cybersecurity insurance with AIG.

While the City has not experienced any known breaches or incidents within the past two years and its cybersecurity and operational safeguards are periodically tested, the City cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the City’s finances or operations. The costs of remedying any such damage or obtaining insurance related thereto or protecting against future attacks could be substantial and insurance (if any can be obtained), may not be adequate to cover such losses or other consequential City costs and expenses. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Climate Change

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

CONTINUING DISCLOSURE

In the resolution adopted by the Council 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 ending June 30, 2026, 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 ending June 30, 2026, 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), 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;
 - (14) appointment of a trustee or a successor or additional trustee or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect beneficial owners of the Bonds, if material, and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

- (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.

For purposes of the preceding paragraphs (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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 other 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 payment of the Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Bonds.

Pursuant to such resolution, the City has reserved 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 of the Bonds, 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 such amendment.

In the event that the City makes such a modification, 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, certain operating data and certain material event notices as required pursuant to its prior continuing disclosure agreements. The City made a late material event filing related to the incurrence of an installment financing obligation in May 2021, which filing was made 11 business days after. 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 Parker Poe Adams and Bernstein LLP, Charlotte, 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

On the date of issuance of the Bonds, Parker Poe Adams & Bernstein LLP, Bond Counsel, will render an opinion that, under existing law (1) assuming compliance by the City with certain provisions of the Code, interest on the Bonds (a) is excludable from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) interest on the Bonds is exempt from State of North Carolina income taxation.

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

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

If the interest on the Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the City to comply with any requirements described above, the City is not required to redeem the Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the Bonds. Prospective purchasers and owners of the Bonds are advised that, if the Internal Revenue Service does audit the Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the City as the taxpayer, and the owners of the Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

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

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

Bond Counsel’s opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel’s opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the City, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Original Issue Discount

As indicated on the inside cover page, the 2026A Bonds maturing on March 1, 20__ and the 2026B Bonds maturing on March 1, 20__ (collectively, the “OID Bonds”), are being sold at initial offering prices that are less than the principal amount payable at maturity.¹ Under the Code, 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 or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner’s cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID Bond may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering of the OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

¹ Information provided by the underwriters of the Bonds.

Original Issue Premium

As indicated on the inside cover page, the 2026A Bonds maturing on March 1, 20__ and the 2026B Bonds maturing on March 1, 20__ (collectively, the “Premium Bonds”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity.¹ 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 or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

INVESTMENT CONSIDERATION

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

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

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.

¹ Information provided by the underwriters of the Bonds.

MUNICIPAL ADVISOR

Davenport & Company LLC, Charlotte, North Carolina has acted as municipal advisor to the City in connection with the issuance of the Bonds.

UNDERWRITING

The underwriters for the 2026A Bonds are _____.¹

Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026A Bonds. If all of the 2026A Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters would anticipate total underwriters' discount of \$ _____¹. The public offering prices or yields of the 2026A Bonds may be changed from time to time by such underwriters.

The underwriters for the 2026B Bonds are _____.²

Such underwriters have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026B Bonds. If all of the 2026B Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters would anticipate total underwriters' discount of \$ _____². The public offering prices or yields of the 2026B Bonds may be changed from time to time by such underwriters.

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.

¹Information provided by the underwriters of the 2026A Bonds.

²Information provided by the underwriters of the 2026B Bonds.

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 based on 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 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 or her approval before 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 to assist the unit in working out a refinancing plan, 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 a 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 of the Commission 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 regarding 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 with following 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.

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 net amount of excise taxes collected 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 municipalities 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: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality 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 at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 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. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

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 Annual Comprehensive Financial Report for the City of High Point for the fiscal year ended June 30, 2025. 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, 2025. 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 continues to experience numerous positive results in this year's operations. 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, 2025.

- 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 \$792.3 million. The net position for governmental activities increased to \$227.2 million, and business-type net position improved to \$565.1 million.
- As of the close of the current fiscal year, the City of High Point's governmental funds reported combined ending fund balances of \$80.7 million, an increase of approximately \$2.0 million from the prior year, primarily due to an increase in general fund revenues, exceeding expenditures. Approximately 36.4% of this total amount, or \$29.4 million, is available for spending at the government's discretion in the General Fund. This amount represents approximately 19.9% of total budgeted general fund expenditures and transfers out for the fiscal year completed.
- The City's coveted general obligation bond rating remains a stalwart benchmark to the City's fiscal health. A stable and slowly expanding economic engine, strong financial management and fiscal discipline have resulted in strong and consistent credit ratings. 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 reaffirmed in May 2022.

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.

Reporting the City as a Whole

Our analysis of the City as an entity 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 in its entirety and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows and outflows 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. The City's two blended component units are reported as part of governmental activities (see Notes of the Financial Statements, 1.A.).
- **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 and 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 a 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 reporting 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 and health and wellness programs.

Other Information

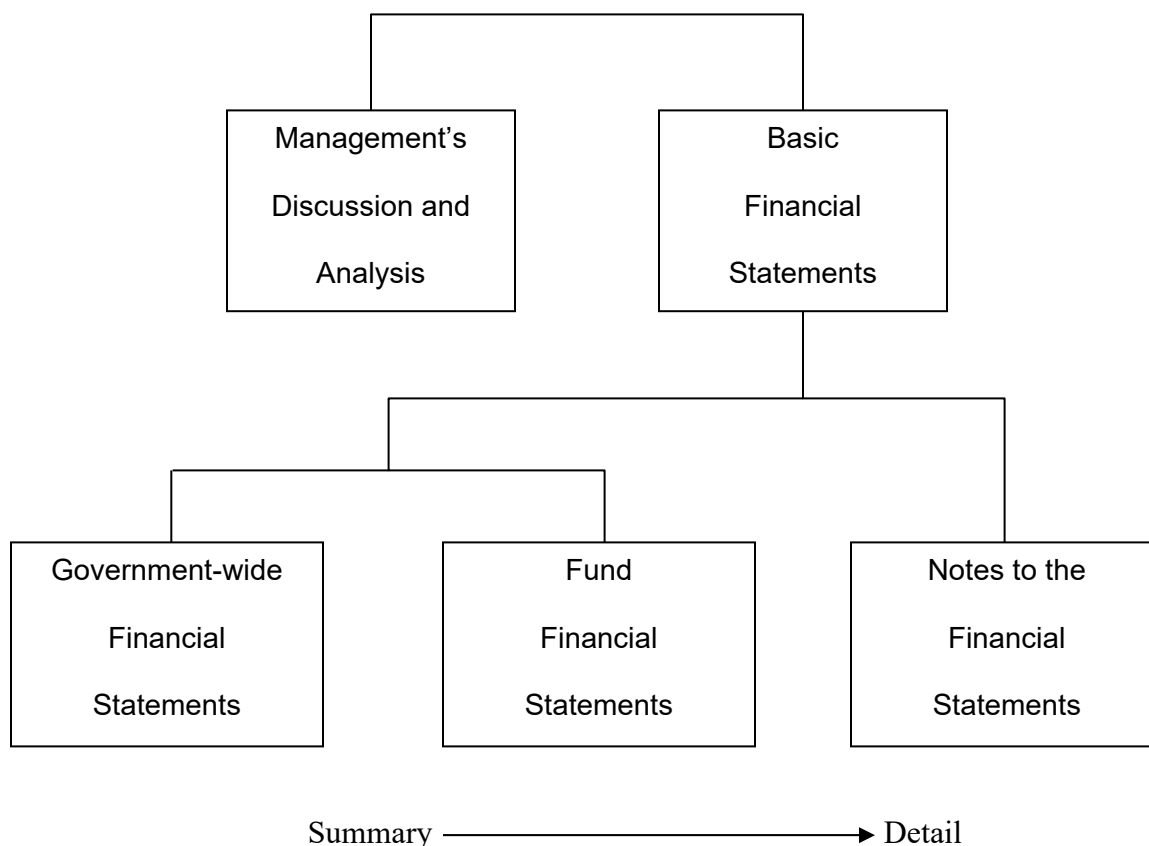
In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City’s progress in funding its obligation to provide post-employment benefits through the Healthcare Benefit Plan, Law Enforcement Officers Special Separation Allowance, the Firefighters’ and Rescue Squad Workers Pension Plan and the City’s participation in the Local Government Employee’s Retirement System. Required supplementary information can be found beginning on page 79 of this report. The purpose of the remaining exhibits is to provide the information needed for financial reporting and accounting of those post-employment benefit plans.

THE CITY AS A WHOLE AND GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended June 30, 2025 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 by \$68.2 million, (9.4%) this year to more than \$792.3 million from approximately \$724.1 million, as restated. The positive trends for the last ten fiscal years have combined for an overall increase of nearly \$235.8 million (42.4%) from FY2015’s total of \$556.5 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 approximately \$736.3 million to approximately \$792.3 million during FY 2024-2025. As shown below, assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by more than \$792.3 million on June 30, 2025. Net position for governmental activities increased by \$2.2 million as compared to the prior fiscal year primarily due to growth in property tax revenues and lower expenditures over several functions, offset by a restatement. The City's business-type activities were responsible for \$53.8 million of the increase when compared to last fiscal year, primarily due to continued growth in charges for services, wholesale power expense reduction a one-time working capital credit from the NC Municipal Power Agency.

For the year ended June 30, 2025, GASB Statement No. 101, Compensated Absences, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$9,185,684. This change restated and reduced beginning net position of government-wide business-type activities and proprietary funds by \$3,039,191.

Table 1
Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$120,637	\$114,122	\$360,507	\$290,434	\$ 481,144	\$ 404,556
Capital Assets (net)	319,935	314,399	466,045	450,249	785,980	764,648
Total assets	<u>440,572</u>	<u>428,521</u>	<u>826,552</u>	<u>740,683</u>	<u>1,267,124</u>	<u>1,169,204</u>
Deferred Outflows						
Deferred Outflows of Resources	<u>30,418</u>	<u>36,243</u>	<u>10,273</u>	<u>12,120</u>	<u>40,691</u>	<u>48,363</u>
Liabilities						
Liabilities and payables	23,389	23,895	18,973	21,642	42,362	45,537
Long-term liabilities	209,478	204,190	246,337	213,795	455,815	417,985
Total liabilities	<u>232,867</u>	<u>228,085</u>	<u>265,310</u>	<u>235,437</u>	<u>498,177</u>	<u>463,522</u>
Deferred Inflows						
Deferred Inflows of Resources	<u>10,965</u>	<u>11,752</u>	<u>6,375</u>	<u>6,011</u>	<u>17,340</u>	<u>17,763</u>
Net Position						
Net investment in capital assets	211,629	206,459	287,413	277,298	499,042	483,757
Restricted	57,765	56,856	122,462	84,143	180,227	140,999
Unrestricted	<u>(42,236)</u>	<u>(38,388)</u>	<u>155,265</u>	<u>149,914</u>	<u>113,029</u>	<u>111,526</u>
Total net position	<u>\$227,158</u>	<u>\$224,927</u>	<u>\$565,140</u>	<u>\$511,355</u>	<u>\$ 792,298</u>	<u>\$ 736,282</u>

A large portion of the City's net position, 63% at June 30, 2025, 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 the future from current revenues. Restricted net position, 22.7% of the City's net position, represents resources that are subject to external restrictions, such as bond-related covenants, stabilization by state statute, and capital project funds. Unrestricted net position increased from \$111.5 million in FY24 to \$113.0 million in FY25.

The City has used and will continue to 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), especially 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 in the deficit to (\$42.2 million) as compared to (\$38.4 million) in the prior year on the full-accrual entity-wide basis of presentation. The City has seen its healthy net unrestricted position fall the last several years as the Governmental Accounting Standards Board gave more attention to recognizing the long-term potential impact on the City’s sponsored post-employment benefits (OPEB) as well as the City’s participation in the State’s sponsored and controlled Local Government Employees Retirement System (LGERS) and the Law Enforcement Officers’ Special Separation Allowance (LEOSSA). Consequently, swings in actuarial assumptions and investment returns for those plans can produce large changes in the City’s cumulative financial position. We believe citizens and bondholders will find a better measure of City’s financial health by looking at governmental fund balances without those accrual changes required for those post-employment benefits. The City’s intention is to continue to use the governmental 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.

Revenues and Expenses

The City’s total revenues (excluding transfers) increased 6% (\$25.8 million) from the previous fiscal year. Charges for services remained the largest program revenue type and saw an increase over FY24, primarily due to higher water and sewer rates and a one-time working capital credit from the NC Municipal Power Agency. Operating and capital grants and contribution revenue decreased due to lower federal revenues and developer contributions.

The total cost of all programs and services decreased 1.7% (\$6.9 million) when compared to last fiscal year. The City continues to see moderate increased demand for services and the resulting cost to City operations in continued response to the City Council’s leadership to reduce the governmental burden on our citizens and ratepayers. As in the last two years, increases were focused on programs for identified areas of livability, transparency, accountability and infrastructure. Results of operations show that public safety, public services, and general government account for most of the governmental programs increases when compared to last fiscal year, in total governmental expenses decreased by nearly \$5 million. Business-type expenses decreased by about \$1.9 million. Increases were primarily in water and sewer and solid waste where we have seen increased personnel costs as well as significant regulatory study costs. Purchases of electric power expenses decreased by about \$7.9 million or 10.1% as compared to the prior year.

Table 2
Changes in Net Position
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
City Revenues						
Program revenue:						
Charges for services	\$ 33,007	\$ 35,041	\$ 241,924	\$ 211,840	\$ 274,931	\$ 246,881
Operating grants and contributions	16,853	16,905	7,014	803	23,867	17,708
Capital grants and contributions	4,600	12,562	185	2,798	4,785	15,360
General revenue:						
Property taxes	89,873	84,087	-	-	89,873	84,087
Occupancy and other local taxes	3,581	3,412	-	-	3,581	3,412
Revenues and contributions not restricted to specific programs	42,871	45,708	-	-	42,871	45,708
Other	5,555	6,101	11,567	11,992	17,122	18,093
Total City revenues	196,340	203,816	260,690	227,433	457,030	431,249
City Expenses						
General Government	37,701	34,168	-	-	37,701	34,168
Public safety	83,771	78,710	-	-	83,771	78,710
Public and Environmental Services	16,561	20,826	-	-	16,561	20,826
Planning and Community Development	11,547	18,649	-	-	11,547	18,649
Cultural and Recreation	32,860	35,113	-	-	32,860	35,113
Interest expense on long term debt	3,976	3,935	-	-	3,976	3,935
Water and Sewer	-	-	65,442	63,917	65,442	63,917
Electric	-	-	106,058	112,188	106,058	112,188
Mass Transit	-	-	6,291	5,971	6,291	5,971
Parking	-	-	626	530	626	530
Solid Waste	-	-	18,157	16,346	18,157	16,346
Storm Water	-	-	5,799	5,355	5,799	5,355
Total City expenses	186,416	191,401	202,373	204,307	388,789	395,708
Increase (decrease) in net position before transfers	9,924	12,415	58,317	23,126	68,241	35,541
Transfers in (out)	1,493	1,332	(1,493)	(1,332)	-	-
Increase (decrease) in net position	11,417	13,747	56,824	21,794	68,241	35,541
Net position, beginning	224,927	211,180	511,355	489,561	736,282	700,741
Restatement	(9,186)	-	(3,039)	-	(12,225)	-
Net position, beginning, as restated	215,741	211,180	508,316	489,561	724,057	700,741
Net position, ending	\$ 227,158	\$ 224,927	\$ 565,140	\$ 511,355	\$ 792,298	\$ 736,282

Several aspects of the City's financial operations continue to positively influence the total 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 99.4%.
- ◆ The net position for business-type operations increased this year by \$56.8 million as the City increased rates for water and sewer and a one-time working capital credit from the NC Municipal Power Agency, while there were moderate increases in expenses overall, with a significant drop in wholesale power costs (about 10%). The 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. 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. The City also created a strategy beginning FY2015-2016 to build additional net position in the electric fund to provide future resources to moderate expected electric rate adjustments several years from now.

Governmental Activities

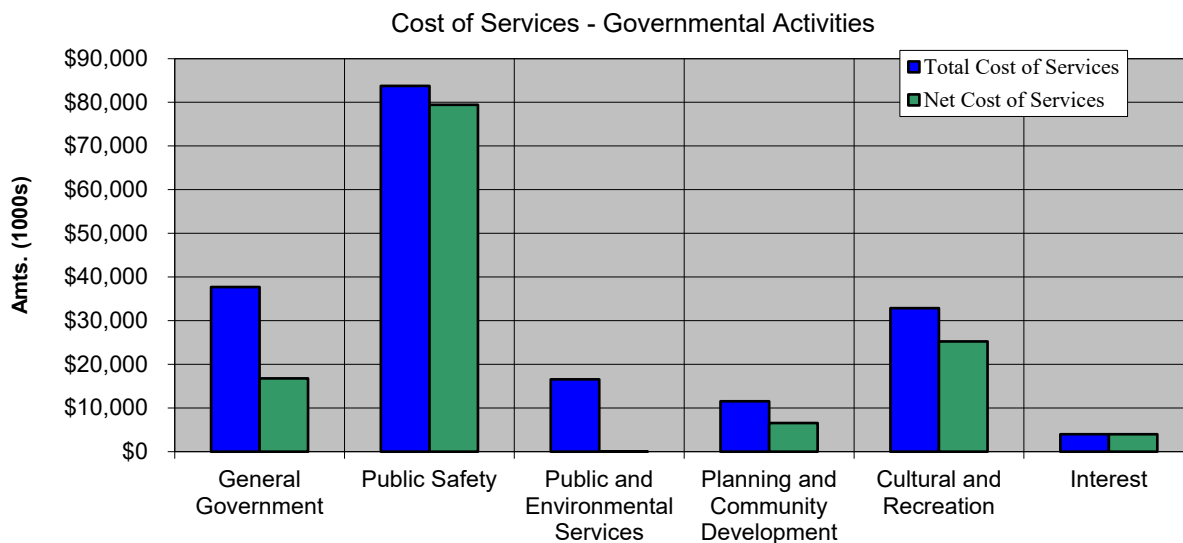
Property tax revenues increased \$5.8 million compared to the prior year, primarily due to growth of the property tax base in Guilford County and a 3-cent tax increase for FY25. Current real and personal property tax collections during fiscal year ended June 30, 2025, remained at 99.4% of the current levy.

Total governmental expenses decreased by about \$5.0 million as discussed above. Program revenues provided 29.2% of the support for governmental services.

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.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General Government	\$ 37,700,638	\$ 16,769,724
Public Safety	83,771,179	79,432,472
Public and Environmental Services	16,560,798	6,985
Planning, Community & Economic Development	11,547,579	6,551,130
Cultural and Recreation	32,860,511	25,220,125
Interest on long-term debt	3,975,654	3,975,654
Total	\$ 186,416,359	\$ 131,956,090



Business-type Activities

As highlighted earlier, charges for services of the City's business-type activities (see Table 2) increased by about \$30.1 million. The increase in net position is primarily due to rate increases, a decrease in wholesale power costs, and a one-time working capital credit from the NC Municipal Power Agency.

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 \$80.7 million, a \$2.0 million increase over the prior fiscal year, primarily due to a reduction in capital expenditures. Of the General Fund fund balances reported, \$32.7 million was available to finance future expenditures in the general fund, including \$1.4 million committed formally by City Council for economic development, public safety and market development and approximately \$1.3 million assigned for various purposes as explained in the Notes to the Financial Statements.

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 \$59.6 million. The primary reason for 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, 2025, total fund balance available for appropriation excluding restricted by state statute and other non-spendable fund balance is 21.5% of the FY 2026 General Fund budget. The amount remaining after restrictions, commitments and assignments is approximately 19.2% of the FY 2026 General Fund budget (exclusive of amounts included in the budget that are assigned and/or restricted for economic and market development, and expenditures budgeted to be financed with debt proceeds). The City Council may from time to time, appropriate fund balances that will reduce available fund balance below the 10% policy.

The FY 2025 Annual Budget appropriated a total of \$1,050,000 of the reported General Fund's spendable, assigned fund balance to finance economic development incentives in the next fiscal year, leaving a balance of unassigned fund balance for future fiscal years of \$29,406,846.

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

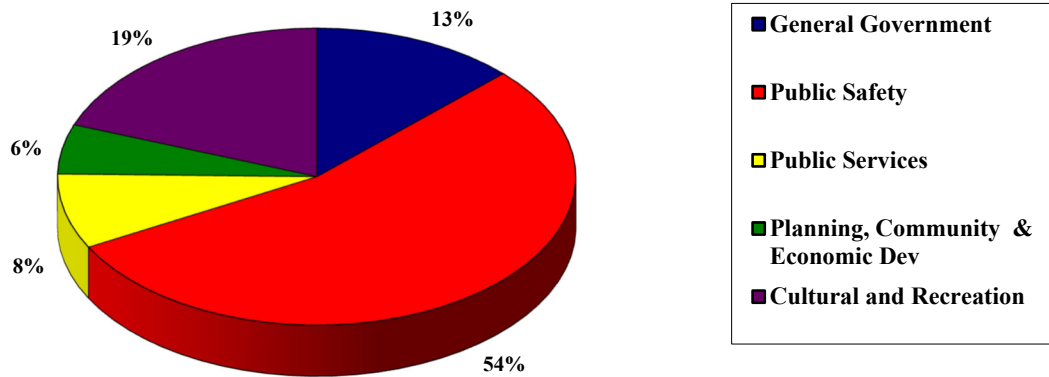
Revenue Sources	Actual Amount	Percent of Total	Increase (Decrease) from 2024
Property taxes.....	\$ 84,957,605	56.4%	\$ 6,114,134
Other local taxes.....	263,681	0.2%	(3,148,472)
Intergovernmental revenues.....	49,644,589	33.0%	(2,270,815)
Licenses and permits.....	4,248,674	2.8%	(2,005,048)
Charges for services.....	6,442,346	4.3%	(148,429)
Interest on investments.....	3,693,918	2.5%	(258,144)
Miscellaneous revenues.....	1,242,168	0.8%	61,162
	<u>\$ 150,492,981</u>	<u>100.0%</u>	<u>\$ (1,655,612)</u>

The most significant component in General Fund revenues remains to be property taxes. Total revenue decreased by about \$1.9 million from 2024, primarily due the removal of occupancy tax and showroom tax from the General Fund (\$4.8 million) and offset by increased property tax revenue. The FY24-25 budget saw an increase in the property tax rate to 64.75 cents from 61.75 cents. The decrease in intergovernmental revenues is primarily the result of an additional month of sales tax receipts accrued in FY24 to reflect remittances made to the state for June 2024, a one-time adjustment.

General fund revenues recognized a mix of positive and negative variances for the fiscal year with actual results of more than \$4.2 million in excess of the final budget. Growth in sales tax (intergovernmental), property taxes, and investment income exceeded budget by the largest margins. Departmental fiscal control and personnel vacancies provided favorable budget savings. The City originally expected to utilize \$1 million in fund balance for fiscal year 2024-2025; however, the city’s exceptional fiscal control on spending and increased revenue resulted in an addition of \$4.4 million to fund balance in fiscal year 2024-2025.

General Fund Expenditures on the Governmental Fund Basis

Functions	Amount	Percent of Total	Increase (Decrease) from 2024
General Government.....	\$ 17,026,706	12.8%	\$ (79,618)
Public Safety	72,223,123	54.3%	5,311,925
Public Services.....	10,854,822	8.2%	(1,073,616)
Planning, Community and Economic Dev.....	7,171,884	5.4%	(2,896,520)
Cultural and Recreation.....	25,690,833	19.3%	(872,776)
	<u>\$ 132,967,368</u>	<u>100.0%</u>	<u>\$ 389,395</u>



The most significant changes in General Fund expenditures when compared to the previous fiscal year occurred in public safety. Public Safety expenditures increased primarily due to personnel expenditures.

Other Governmental Funds

The General Capital Projects Fund continues to be shown as a major fund in the current fiscal year. This presentation is required for FY 2025, due to larger than normal construction expenses. Regardless of the fund’s status as a major project fund, the City presents it as such every year primarily due to the continued level of expenditures anticipated in future years that will require presentation as major.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the City had approximately \$786.0 million 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 \$21.3 million, or about 2.8%, over last year. Most 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 Notes to the Financial Statements (pages 46-48).

Table 4
Capital Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Right to use assets, net of amortization - Leases	\$ 4,848	\$ 6,069	\$ 168	\$ 181	\$ 5,016	\$ 6,250
Right to use assets, net of amortization - SBITAs	4,617	1,651	1,422	907	6,039	2,558
Land and land improvements	41,474	40,688	16,770	14,744	58,244	55,432
Intangibles	453	446	6,423	6,306	6,876	6,752
Construction in progress	16,668	7,713	36,014	35,762	52,682	43,475
Buildings and related improvements	186,630	185,366	126,956	113,967	313,586	299,333
Equipment	112,258	105,532	29,426	28,018	141,684	133,550
Infrastructure	602,584	597,715	722,166	702,353	1,324,750	1,300,068
Accumulated depreciation	(649,597)	(630,781)	(473,300)	(451,989)	(1,122,897)	(1,082,770)
Total capital assets	\$ 319,935	\$ 314,399	\$ 466,045	\$ 450,249	\$ 785,980	\$ 764,648

The City’s FY 2025-2026 capital pay-as-you-go budget calls for spending another \$53.4 million for infrastructure maintenance and capital projects as outlined below, principally for the utility system improvements and infrastructure.

These capital projects are budgeted as follows:

General Capital Project Fund.....	\$	4,185,000
Water & Sewer Fund.....		12,988,489
Electric.....		21,417,500
Solid Waste.....		7,021,000
Other.....		<u>7,755,245</u>
Total.....	\$	<u><u>53,367,234</u></u>

Debt

At year-end, the City had approximately \$322.3 million in bonds and notes outstanding versus \$296.5 million last year—an increase of 8.7%—as shown in Table 5.

Table 5
Outstanding Debt
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
	General obligation bonds, including premium	\$ 55,545	\$ 62,843	\$ 3,088	\$ 4,290	\$ 58,633
Limited obligation bonds	46,942	42,689	-	-	46,942	42,689
Revenue bonds, including premium	-	-	197,975	168,745	197,975	168,745
Notes, installment contracts, leases, and SBITAs	<u>17,764</u>	<u>16,898</u>	<u>1,025</u>	<u>1,037</u>	<u>18,789</u>	<u>17,935</u>
Total outstanding debt	<u>\$ 120,251</u>	<u>\$ 122,430</u>	<u>\$ 202,088</u>	<u>\$ 174,072</u>	<u>\$ 322,339</u>	<u>\$ 296,502</u>

The City’s general obligation bond rating continues to carry high and stable ratings from the three national rating agencies at June 30, 2025. 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 most recent reports in May 2022. 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 \$1.057 billion state-imposed limit.

Other obligations include compensated absences, other post-employment benefits, pension liabilities for LGERS and LEOSSA, and closure/post-closure liabilities. More detailed information about the City’s long-term liabilities is presented in the notes to the financial statements (pages 63-72).

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City’s elected and appointed officials considered many factors when setting the FY 2025-2026 budget and tax rates that support the governmental activities and fees that will be charged for the business-type activities. The property tax rate remained at 64.75 cents. Water and sewer consumption growth as well as electric load growth were projected to be largely flat for another year. The budget included a 8% increase for water and sewer customers.

The total General Fund budget appropriates \$153.2 million, which is an increase of 4.4% over the adopted 2025 budget of \$146.8 million. As discussed above, property taxes remained steady at a rate of 64.75 cents. The City continues to review and evaluate strategic concepts employed during previous fiscal years. The

City is utilizing this strategy to maintain the high level of quality and services that our citizens, businesses, and visitors enjoy and are accustomed to receiving.

The City's business-type activities are also expected to maintain their strength or improve in the adoption of the Annual Budget for FY 2025-2026:

- Water and sewer rates were increased 8%, estimated revenues and expenditures are consistent with the City's multiyear financial strategy for operations and capital financing. The fund is expected to maintain commitments for pay-as-you-go infrastructure and debt funded projects.
- Solid Waste fees increased by \$1/month for the landfill closure/post closure fee and tipping fees increased by \$6/ton.
- There were no rate increases for Storm Water, Electric, Transit, or Parking Facilities.

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, 2025, 2024 and 2023. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Bobby Fitzjohn, Financial Services Director, at City of High Point, 211 S Hamilton Street, High Point, North Carolina 27261 or on the City's website at <https://www.highpointnc.gov>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. 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 year ended June 30, 2025, will continue to meet the requirements under the Certificate of Achievement Program.

The City financial statements present the government-wide financial statements, which are shown on pages D-2 through D-4 of this official statement include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can 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. 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-8 for the presentation of the City's budgetary statements.

The following financial statements are the basic financial statements of the City and the notes thereto, lifted from the Annual Comprehensive Financial Report of the City for the fiscal year ended June 30, 2025.

CITY OF HIGH POINT, NORTH CAROLINA

STATEMENT OF NET POSITION

June 30, 2025

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit High Point ABC Board
ASSETS				
Cash and investments.....	\$ 83,416,087	\$ 144,085,488	\$ 227,501,575	\$ 2,675,363
Receivables:				
Taxes (net).....	1,111,804	-	1,111,804	-
Accounts receivable and accrued revenue (net).....	22,869,601	22,197,367	45,066,968	1,403
Notes (net).....	5,318,410	-	5,318,410	-
Accrued interest.....	322,053	852,206	1,174,259	-
Lease receivable.....	7,305,089	19,094	7,324,183	-
Property held for resale.....	3,970,079	-	3,970,079	-
Internal balances.....	(8,268,844)	8,268,844	-	-
Long term interfund loan.....	(14,639,748)	14,639,748	-	-
Due from component unit.....	338,474	-	338,474	-
Inventory.....	748,214	12,900,432	13,648,646	3,795,637
Prepaid items.....	3,133,571	228,467	3,362,038	118,132
Security deposits.....	-	-	-	4,025
Restricted Assets:				
Cash and investments.....	15,012,082	157,315,527	172,327,609	-
Capital Assets:				
Right to use assets, net of amortization.....	9,464,755	1,589,956	11,054,711	4,151,571
Land, non-depreciable improvements, and construction in progress....	58,258,132	52,784,134	111,042,266	689,656
Other capital assets, net of related depreciation.....	252,211,949	411,670,914	663,882,863	1,710,304
Total capital assets.....	319,934,836	466,045,004	785,979,840	6,551,531
TOTAL ASSETS	440,571,708	826,552,177	1,267,123,885	13,146,091
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources.....	30,417,949	10,273,590	40,691,539	801,741
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,417,949	10,273,590	40,691,539	801,741
LIABILITIES				
Accounts payable and accrued expenses.....	15,037,462	16,211,357	31,248,819	1,116,647
Accrued interest payable.....	1,014,482	1,004,084	2,018,566	-
Due to City of High Point.....	-	-	-	338,474
Due to other governments.....	-	-	-	14,264
Liabilities payable from restricted assets:				
Accounts payable and accrued expenses.....	1,110,873	-	1,110,873	-
Unearned revenues and deposits.....	4,651,478	1,757,508	6,408,986	-
Noncurrent liabilities				
Net pension liability - LGERS.....	48,342,662	17,393,894	65,736,556	1,272,925
Due in one year.....	21,223,038	13,567,364	34,790,402	327,693
Due in more than one year.....	141,486,628	215,376,217	356,862,845	4,572,818
TOTAL LIABILITIES	232,866,623	265,310,424	498,177,047	7,642,821
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources.....	10,964,585	6,375,456	17,340,041	118,955
TOTAL DEFERRED INFLOWS OF RESOURCES	10,964,585	6,375,456	17,340,041	118,955
NET POSITION				
Net investment in capital assets.....	211,628,794	287,412,843	499,041,637	2,399,960
Restricted for:				
Stabilization by state statute.....	36,187,044	-	36,187,044	-
Property held for resale.....	3,970,079	-	3,970,079	-
Debt service.....	10,919,716	-	10,919,716	-
Capital projects.....	-	84,357,119	84,357,119	-
Rate stabilization.....	-	36,585,328	36,585,328	-
System development fees, capital reserve.....	-	1,519,137	1,519,137	-
Grant programs.....	4,885,363	-	4,885,363	-
Public safety.....	922,440	-	922,440	-
Transportation.....	881,431	-	881,431	-
High Point ABC Board working capital.....	-	-	-	915,829
Unrestricted.....	(42,236,418)	155,265,460	113,029,042	2,870,267
TOTAL NET POSITION	\$ 227,158,449	\$ 565,139,887	\$ 792,298,336	\$ 6,186,056

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General Government.....	\$ 37,700,638	\$ 20,324,170	\$ 470,161	\$ 136,583
Public Safety.....	83,771,179	1,117,847	3,220,860	-
Public and Environmental Services.....	16,560,798	2,752,055	9,338,018	4,463,740
Planning/Community and Economic Development.....	11,547,579	2,565,324	2,431,125	-
Cultural and Recreation.....	32,860,511	6,247,859	1,392,527	-
Interest on Long-Term Debt.....	3,975,654	-	-	-
Total governmental activities.....	<u>186,416,359</u>	<u>33,007,255</u>	<u>16,852,691</u>	<u>4,600,323</u>
Business-type activities:				
Water and Sewer	65,442,119	70,240,464	-	185,368
Electric.....	106,057,856	146,890,282	528,347	-
Mass Transit.....	6,290,658	770,841	6,394,911	-
Parking.....	626,409	474,974	-	-
Solid Waste.....	18,157,255	16,897,282	90,228	-
Stormwater.....	5,798,961	6,650,225	-	-
Total business-type activities.....	<u>202,373,258</u>	<u>241,924,068</u>	<u>7,013,486</u>	<u>185,368</u>
Total primary government.....	<u>\$ 388,789,617</u>	<u>\$ 274,931,323</u>	<u>\$ 23,866,177</u>	<u>\$ 4,785,691</u>
Component unit:				
High Point ABC Board.....	\$ -	\$ -	\$ -	\$ -
Total component unit.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Activities
For the Year Ended June 30, 2025

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.....	\$ (16,769,724)	\$ -	\$ (16,769,724)	\$ -
Public Safety.....	(79,432,472)	-	(79,432,472)	-
Public and Environmental Services.....	(6,985)	-	(6,985)	-
Planning/Community and Economic Development.....	(6,551,130)	-	(6,551,130)	-
Cultural and Recreation.....	(25,220,125)	-	(25,220,125)	-
Interest and Fiscal Charges.....	(3,975,654)	-	(3,975,654)	-
Total governmental activities.....	<u>(131,956,090)</u>	<u>-</u>	<u>(131,956,090)</u>	<u>-</u>
Business-type activities:				
Water and Sewer	-	4,983,713	4,983,713	-
Electric.....	-	41,360,773	41,360,773	-
Mass Transit.....	-	875,094	875,094	-
Parking.....	-	(151,435)	(151,435)	-
Solid Waste.....	-	(1,169,745)	(1,169,745)	-
Stormwater.....	-	851,264	851,264	-
Total business-type activities.....	<u>-</u>	<u>46,749,664</u>	<u>46,749,664</u>	<u>-</u>
Total primary government.....	<u>\$ (131,956,090)</u>	<u>\$ 46,749,664</u>	<u>\$ (85,206,426)</u>	<u>\$ -</u>
Component unit:				
High Point ABC Board.....	\$ -	\$ -	\$ -	\$ (229,880)
Total component unit.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (229,880)</u>
General revenues:				
Property taxes.....	\$ 89,873,450	\$ -	\$ 89,873,450	\$ -
Occupancy and other local taxes.....	3,580,954	-	3,580,954	-
Revenues and contributions not restricted to specific programs.....	42,871,210	-	42,871,210	6,936
Gain on the disposal of capital assets	395,682	-	395,682	-
Investment earnings (losses).....	5,159,365	11,567,212	16,726,577	103,542
Total general revenues not including transfers	<u>141,880,661</u>	<u>11,567,212</u>	<u>153,447,873</u>	<u>110,478</u>
Transfers	<u>1,492,547</u>	<u>(1,492,547)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers.....	<u>143,373,208</u>	<u>10,074,665</u>	<u>153,447,873</u>	<u>110,478</u>
Change in net position.....	11,417,118	56,824,329	68,241,447	(119,402)
Net position - beginning.....	224,927,015	511,354,749	736,281,764	6,305,458
Restatement.....	(9,185,684)	(3,039,191)	(12,224,875)	-
Net position - beginning, as restated.....	<u>215,741,331</u>	<u>508,315,558</u>	<u>724,056,889</u>	<u>6,305,458</u>
Net position - ending.....	<u>\$ 227,158,449</u>	<u>\$ 565,139,887</u>	<u>\$ 792,298,336</u>	<u>\$ 6,186,056</u>

CITY OF HIGH POINT, NORTH CAROLINA

Balance Sheet
Governmental Funds
June 30, 2025

	Major Funds			Total Governmental Funds
	General Fund	General Capital Projects Fund	Non-Major Governmental Funds	
ASSETS				
Cash and investments.....	\$ 48,315,540	\$ 8,508,572	\$ 11,912,905	\$ 68,737,017
Receivables (net):				
Taxes.....	1,111,804	-	-	1,111,804
Accounts receivable and accrued revenue.....	15,933,144	1,420,680	5,389,245	22,743,069
Assessments.....	-	-	-	-
Notes and loans, net.....	-	-	5,318,410	5,318,410
Accrued interest.....	244,963	-	48,708	293,671
Due from other funds.....	-	-	-	-
Property held for sale.....	2,200,000	-	1,770,079	3,970,079
Due from component unit.....	338,474	-	-	338,474
Lease receivable.....	6,137,348	-	1,167,741	7,305,089
Prepaid items.....	2,136,727	-	70,550	2,207,277
Restricted assets:				
Cash and investments.....	1,947,392	6,865,348	4,648,083	13,460,823
TOTAL ASSETS	\$ 78,365,392	\$ 16,794,600	\$ 30,325,721	\$ 125,485,713
LIABILITIES				
Accounts payable and accrued expenses.....	\$ 9,270,171	\$ 1,148,969	\$ 490,959	\$ 10,910,099
Contracts payable.....	64,336	39,961	-	104,297
Due to other funds.....	-	12,914,748	1,725,000	14,639,748
Liabilities payable from restricted assets:				
Accounts payable and accrued expenses.....	-	285,541	825,332	1,110,873
Unearned revenue.....	16,366	-	2,687,720	2,704,086
Deposits and other liabilities.....	1,947,392	-	-	1,947,392
TOTAL LIABILITIES	11,298,265	14,389,219	5,729,011	31,416,495
DEFERRED INFLOWS OF RESOURCES				
Unavailable taxes.....	1,111,803	-	-	1,111,803
Leases.....	5,961,575	-	1,029,362	6,990,937
Deferred (prepaid) taxes and licenses.....	13,422	-	-	13,422
Unavailable grant receivables.....	402,529	694,718	2,565,809	3,663,056
Unavailable opioid settlement receivables.....	-	-	1,574,494	1,574,494
TOTAL DEFERRED INFLOWS OF RESOURCES	7,489,329	694,718	5,169,665	13,353,712
FUND BALANCES				
Non Spendable:				
Prepaid items.....	2,136,727	-	70,550	2,207,277
Restricted:				
Stabilization by state statute.....	22,310,748	10,834,737	3,041,559	36,187,044
Property held for resale.....	2,200,000	-	1,770,079	3,970,079
Grant programs.....	-	-	4,885,363	4,885,363
Public safety.....	-	-	922,440	922,440
Transportation.....	881,431	-	-	881,431
Debt service.....	-	-	10,919,716	10,919,716
Committed:				
Public safety.....	1,098,875	-	-	1,098,875
Economic development.....	264,405	-	-	264,405
Assigned:				
Subsequent year's expenditures.....	1,050,000	-	944,529	1,994,529
General government.....	20,000	-	-	20,000
Public safety.....	8,193	-	-	8,193
Culture & recreation.....	135,265	-	-	135,265
Public services and transportation.....	65,308	-	-	65,308
Unassigned	29,406,846	(9,124,074)	(3,127,191)	17,155,581
TOTAL FUND BALANCES	59,577,798	1,710,663	19,427,045	80,715,506
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 78,365,392	\$ 16,794,600	\$ 30,325,721	\$ 125,485,713
Fund balances as reported above				\$ 80,715,506
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.				287,137,066
Right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.				6,992,204
Internal service funds used to allocate costs among the funds are included in the Statement of Net Position.				33,451,267
Internal service funds profit/loss is allocated to the business-type funds in the Statement of Net Position.				(8,268,844)
Some liabilities and related deferred outflows are not payable in the current period and are, therefore, not reported in the funds.				(205,063,121)
OPEB and pension related deferred outflows				29,750,308
OPEB and pension related deferred inflows				(3,905,290)
Receivables that are not available to pay for current period expenditures are reported as deferred inflows in the funds.				6,349,353
Net position of governmental activities				<u>\$ 227,158,449</u>

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds
	General Fund	General Capital Projects Fund		
Revenues:				
Property taxes.....	\$ 84,957,605	\$ -	\$ 4,675,551	\$ 89,633,156
Occupancy and other local taxes.....	263,681	-	3,317,273	3,580,954
Intergovernmental.....	49,644,589	744,840	6,616,974	57,006,403
Licenses and permits.....	4,248,674	-	1,740,696	5,989,370
Charges for services.....	6,442,346	-	-	6,442,346
Lease revenue.....	353,859	-	411,745	765,604
Interest (losses) on investments.....	3,693,918	-	1,046,509	4,740,427
Sale of capital assets.....	103,566	-	14,500	118,066
Interest on lease receivable.....	106,152	-	17,763	123,915
Miscellaneous.....	678,591	468,538	1,113,158	2,260,287
Total revenues.....	<u>150,492,981</u>	<u>1,213,378</u>	<u>18,954,169</u>	<u>170,660,528</u>
Expenditures:				
General government.....	17,418,036	3,846,418	5,881,376	27,145,830
Public safety.....	70,505,140	1,346,546	1,589,012	73,440,698
Public services - transportation.....	10,518,211	5,589,672	3,329,850	19,437,733
Public services - environmental services.....	330,503	-	568,865	899,368
Community and economic development.....	7,155,234	2,290,831	2,322,262	11,768,327
Cultural and recreation.....	25,264,115	2,816,696	220,769	28,301,580
Debt service:				
Principal retirement.....	3,645,855	29,500	10,019,848	13,695,203
Interest and fiscal charges.....	215,835	121,323	3,737,419	4,074,577
Total expenditures.....	<u>135,052,929</u>	<u>16,040,986</u>	<u>27,669,401</u>	<u>178,763,316</u>
Excess (deficiency) of revenue over (under) expenditures	<u>15,440,052</u>	<u>(14,827,608)</u>	<u>(8,715,232)</u>	<u>(8,102,788)</u>
Other financing sources (uses):				
Limited obligation bond issuance.....	-	6,600,000	200,000	6,800,000
Lease liabilities issued.....	99,117	-	-	99,117
IT subscription agreement.....	1,986,444	153,193	555,871	2,695,508
Transfers in.....	400,000	5,827,098	7,777,136	14,004,234
Transfers in related to payments in lieu of taxes.....	986,578	-	-	986,578
Transfers out.....	(14,510,372)	-	-	(14,510,372)
Total other financing sources (uses).....	<u>(11,038,233)</u>	<u>12,580,291</u>	<u>8,533,007</u>	<u>10,075,065</u>
Net change in fund balances.....	<u>4,401,819</u>	<u>(2,247,317)</u>	<u>(182,225)</u>	<u>1,972,277</u>
Fund balances, beginning.....	55,175,979	3,957,980	19,124,472	78,258,431
Fund balances, beginning, blended component unit.....	-	-	484,798	484,798
Fund balances, ending.....	<u>\$ 59,577,798</u>	<u>\$ 1,710,663</u>	<u>\$ 19,427,045</u>	<u>\$ 80,715,506</u>

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

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, 2025

Net change in fund balances - total governmental funds	\$ 1,972,277
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds; Revenues received in the current year in the funds but recorded / accrued in the prior year on the Statement of Activities	3,029,004
Debt principal payments are reported as decreases in liabilities in the Statement of Net Position, but reported as expenditures in the funds	13,695,203
Capital outlays are reported as increases in assets in the Statement of Net Position, but reported as an expenditure in the funds	17,887,078
Depreciation is recognized as an expense in the Statement of Activities, but is not reported in the funds	(21,567,497)
Right to use assets capital outlay expenditures which were capitalized, net of decreases and reclassifications	1,695,895
Amortization expense for right to use assets, net of decreases and reclassifications	48,958
Infrastructure contributed by developers is considered capital contribution for the Statement of Activities, but is not reported in the funds	4,600,323
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; current year contributions to the pension and OPEB plans are not included in the Statement of Activities	(5,047,058)
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	(6,800,000)
Lease liabilities issued	(99,117)
IT subscription Agreement	(2,695,508)
Net Gain (loss) on the disposal of capital assets is recorded in the Statement of Activities (excludes internal service fund gain/loss)	(315,526)
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.	6,348,432
Internal service funds current year profit/loss is allocated to the business-type funds in the Statement of Activities	<u>(1,335,346)</u>
Change in net position of governmental activities	<u>\$ 11,417,118</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 - Budget and Actual
For the Year Ended June 30, 2025

	Budget		Actual	Variance From
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes.....	\$ 84,045,925	\$ 84,045,925	\$ 84,957,605	\$ 911,680
Occupancy and other local taxes.....	310,000	310,000	263,681	(46,319)
Intergovernmental.....	47,995,108	48,017,108	49,644,589	1,627,481
Licenses and permits.....	4,781,475	4,781,475	4,248,674	(532,801)
Charges for services.....	6,351,636	6,549,511	6,442,346	(107,165)
Lease revenue.....	-	-	353,859	353,859
Interest (losses) on investments.....	1,955,000	1,955,000	3,693,918	1,738,918
Sale of capital assets.....	-	-	103,566	103,566
Interest on lease receivable.....	-	-	106,152	106,152
Miscellaneous.....	638,067	638,067	678,591	40,524
Total revenues.....	<u>146,077,211</u>	<u>146,297,086</u>	<u>150,492,981</u>	<u>4,195,895</u>
Expenditures:				
General government.....	18,328,106	19,435,066	17,026,706	2,408,360
Public safety.....	71,534,566	72,736,354	72,223,123	513,231
Public services - transportation.....	12,199,478	14,804,962	10,524,319	4,280,643
Public services - environmental services.....	402,783	403,692	330,503	73,189
Community and economic development.....	8,853,423	9,261,396	7,171,884	2,089,512
Cultural and recreation.....	25,906,064	26,601,177	25,690,833	910,344
Other.....	(1,750,000)	(1,750,000)	-	(1,750,000)
Total expenditures.....	<u>135,474,420</u>	<u>141,492,647</u>	<u>132,967,368</u>	<u>8,525,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,602,791</u>	<u>4,804,439</u>	<u>17,525,613</u>	<u>12,721,174</u>
Other financing sources (uses):				
Transfers in.....	400,000	400,000	400,000	-
Transfers in related to payment in lieu of taxes..	986,578	986,578	986,578	-
Transfers out.....	(12,989,369)	(14,615,494)	(14,510,372)	105,122
Appropriated fund balance.....	1,000,000	8,424,477	-	(8,424,477)
Total other financing sources (uses).....	<u>(10,602,791)</u>	<u>(4,804,439)</u>	<u>(13,123,794)</u>	<u>(8,319,355)</u>
Net change in fund balance.....	<u>\$ -</u>	<u>\$ -</u>	<u>4,401,819</u>	<u>\$ 4,401,819</u>
Fund balances, beginning.....			<u>55,175,979</u>	
Fund balances, ending.....			<u>\$ 59,577,798</u>	
Other reconciling items:				
Lease liabilities issued.....			\$ 99,117	
IT subscription agreement.....			1,986,444	
Capital outlay - leases issued.....			(99,117)	
Capital outlay - subscription based information technology agreements			(1,986,444)	
			<u>\$ 59,577,798</u>	

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2025

	Major Funds	
	Business-Type Activities - Enterprise Funds	
	Water and Sewer	Electric
ASSETS		
Current assets		
Cash and investments.....	\$ 48,577,221	\$ 79,486,700
Receivables:		
Accounts and grants (net).....	6,804,676	12,118,627
Accrued interest.....	264,863	504,685
Due from other funds.....	-	2,325,000
Lease receivable.....	19,094	-
Inventory.....	-	12,643,371
Prepaid expenses.....	-	-
Total current assets	55,665,854	107,078,383
Noncurrent assets		
Restricted assets:		
Cash and investments.....	60,402,267	79,239,401
Capital assets:		
Right to use assets, net of amortization	631,400	404,071
Land.....	9,311,317	3,031,344
Buildings and other improvements.....	73,293,885	1,614,214
Equipment.....	12,091,557	1,600,056
Infrastructure.....	552,238,818	145,758,362
Intangibles.....	1,533,617	4,855,193
Construction in progress.....	14,064,575	19,082,288
Less accumulated depreciation.....	(319,310,648)	(101,913,148)
Total capital assets (net of accumulated depreciation/amortization).....	343,854,521	74,432,380
Total noncurrent assets.....	404,256,788	153,671,781
Total Assets	459,922,642	260,750,164
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources.....	3,211,730	3,845,376
Total Deferred Outflows of Resources	3,211,730	3,845,376
LIABILITIES		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses.....	3,058,312	11,316,377
Contracts Payable.....	417,068	25,053
Current maturities of other post employment benefits.....	68,278	60,893
Current maturities of long-term debt.....	10,596,388	-
Current maturities of lease liability.....	15,988	10,053
Current maturities of SBITA liability.....	98,621	125,742
Current maturities of compensated absences.....	463,971	578,859
Accrued interest payable.....	986,250	-
Deposits.....	436,426	1,312,312
Total current liabilities	16,141,302	13,429,289
Noncurrent liabilities:		
Accrued closure/postclosure costs.....	-	-
Net pension liability.....	5,429,840	6,705,129
Loans payable.....	130,437	-
Other post employment benefits liability.....	1,390,915	1,240,469
General obligation bonds payable.....	-	-
Revenue bonds payable.....	187,669,389	-
Obligation under installment purchases.....	-	-
Lease liability.....	47,515	26,419
Subscription (SBITA) liability.....	-	186,803
Compensated absences liability.....	973,819	2,037,452
Total Noncurrent liabilities	195,641,915	10,196,272
Total Liabilities	211,783,217	23,625,561
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources.....	2,232,553	297,364
Total Deferred Inflows of Resources	2,232,553	297,364
NET POSITION		
Net Position		
Net investment in capital assets.....	168,898,162	74,083,363
Restricted for capital projects.....	31,108,081	39,969,473
Restricted for rate stabilization.....	-	36,585,328
Restricted for system development fees, capital reserve.....	1,519,137	-
Unrestricted.....	47,593,222	90,034,451
Total Net Position	\$ 249,118,602	\$ 240,672,615

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities - Enterprise Funds		Governmental Activities
	Non-major Enterprise Funds		Internal Service Fund
		Total Enterprise	
ASSETS			
Current assets			
Cash and investments.....	\$ 16,021,567	\$ 144,085,488	\$ 14,679,070
Receivables:			
Accounts and grants (net).....	3,274,064	22,197,367	126,532
Accrued interest.....	82,658	852,206	28,382
Due from other funds.....	12,314,748	14,639,748	-
Lease receivable.....	-	19,094	-
Inventory.....	257,061	12,900,432	748,214
Prepaid expenses.....	228,467	228,467	926,294
Total current assets	32,178,565	194,922,802	16,508,492
Noncurrent assets			
Restricted assets:			
Cash and investments.....	17,673,859	157,315,527	1,551,259
Capital assets:			
Right to use assets, net of amortization	554,485	1,589,956	2,472,554
Land.....	4,427,143	16,769,804	37,740
Buildings and other improvements.....	52,048,117	126,956,216	1,216,529
Equipment.....	15,733,896	29,425,509	66,862,494
Infrastructure.....	24,168,709	722,165,889	-
Intangibles.....	34,037	6,422,847	-
Construction in progress.....	2,867,467	36,014,330	-
Less accumulated depreciation.....	(52,075,751)	(473,299,547)	(44,783,751)
Total capital assets (net of accumulated depreciation/amortization).....	47,758,103	466,045,004	25,805,566
Total noncurrent assets.....	65,431,962	623,360,531	27,356,825
Total Assets	97,610,527	818,283,333	43,865,317
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources.....	3,216,484	10,273,590	636,141
Total Deferred Outflows of Resources	3,216,484	10,273,590	636,141
LIABILITIES			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses.....	1,394,547	15,769,236	4,023,066
Contracts Payable.....	-	442,121	-
Current maturities of other post employment benefits.....	86,670	215,841	11,914
Current maturities of long-term debt.....	816,411	11,412,799	1,029,161
Current maturities of lease liability.....	3,779	29,820	151,092
Current maturities of SBITA liability.....	166,196	390,559	446,815
Current maturities of compensated absences.....	475,515	1,518,345	147,662
Accrued interest payable.....	17,834	1,004,084	-
Deposits.....	8,770	1,757,508	-
Total current liabilities	2,969,722	32,540,313	5,809,710
Noncurrent liabilities			
Accrued closure/postclosure costs.....	16,943,093	16,943,093	-
Net pension liability.....	5,258,925	17,393,894	1,091,227
Loans payable.....	-	130,437	-
Other post employment benefits liability.....	1,765,611	4,396,995	242,700
General obligation bonds payable.....	2,013,043	2,013,043	-
Revenue bonds payable.....	-	187,669,389	-
Obligation under installment purchases.....	-	-	1,814,379
Lease liability.....	8,414	82,348	415,318
Subscription (SBITA) Liability.....	172,649	359,452	1,423,851
Compensated absences.....	770,189	3,781,460	198,070
Total Noncurrent liabilities	26,931,924	232,770,111	5,185,545
Total Liabilities	29,901,646	265,310,424	10,995,255
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources.....	3,845,539	6,375,456	54,936
Total Deferred Inflows of Resources	3,845,539	6,375,456	54,936
NET POSITION			
Net Position			
Net investment in capital assets.....	44,431,318	287,412,843	22,076,209
Restricted for capital projects.....	13,279,565	84,357,119	-
Restricted for rate stabilization.....	-	36,585,328	-
Restricted for system development fees, capital reserve.....	-	1,519,137	-
Unrestricted.....	9,368,943	146,996,616	11,375,058
Total Net Position	\$ 67,079,826	\$ 556,871,043	\$ 33,451,267
Reconciliation to the Statement of Net Position:			
Net position of enterprise funds		\$ 556,871,043	
Adjustment to reflect the profit/loss distribution of internal service fund activities		8,268,844	
Net position of business-type activities		<u>\$ 565,139,887</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, 2025

	Major Funds	
	Business-type - Enterprise Funds	
	Water and Sewer	Electric
Operating revenues		
Charges for services.....	\$ 68,054,337	\$ 122,828,294
System development fees, capital reserve.....	684,311	-
Licenses and permits.....	-	-
Miscellaneous.....	717,235	211,005
Total operating revenues.....	<u>69,455,883</u>	<u>123,039,299</u>
Operating expenses		
Management and administration.....	10,894,256	7,957,123
Maintenance and distribution.....	11,822,238	20,361,528
Power purchases.....	-	70,116,696
Treatment plants.....	16,408,934	-
Other services and charges.....	3,568,730	4,174,174
Depreciation and amortization.....	16,821,210	3,659,101
Total operating expenses.....	<u>59,515,368</u>	<u>106,268,622</u>
Operating income (loss).....	<u>9,940,515</u>	<u>16,770,677</u>
Nonoperating revenues (expenses)		
Interest (losses) on investments.....	2,972,030	7,148,905
Intergovernmental.....	-	528,347
Miscellaneous and other nonoperating.....	45,666	23,850,983
Interest on lease receivable.....	321	-
Interest expense and fiscal charges.....	(6,283,001)	(8,013)
Amortization of gain on refunding.....	738,915	-
Gain (loss) on disposal of capital assets.....	-	(7,812)
Total nonoperating revenues (expenses).....	<u>(2,526,069)</u>	<u>31,512,410</u>
Income (loss) before capital contributions and transfers	7,414,446	48,283,087
Capital contributions.....	185,368	-
Transfers in.....	-	-
Transfers out.....	(445,000)	(3,163,332)
Change in net position.....	<u>7,154,814</u>	<u>45,119,755</u>
Total net position - beginning.....	242,686,787	197,272,548
Restatement.....	(722,999)	(1,719,688)
Total net position - beginning, as restated.....	<u>241,963,788</u>	<u>195,552,860</u>
Total net position - ending.....	<u>\$ 249,118,602</u>	<u>\$ 240,672,615</u>

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2025

	Business-type - Enterprise Funds		Governmental Activities
	Non Major Enterprise Funds	Total	Internal Service Fund
Charges for services.....	\$ 24,283,417	\$ 215,166,048	\$ 40,687,666
System development fees, capital reserve.....	-	684,311	-
Licenses and permits.....	413,574	413,574	-
Miscellaneous and other.....	-	928,240	1,553,750
Total operating revenues.....	<u>24,696,991</u>	<u>217,192,173</u>	<u>42,241,416</u>
Operating expenses			
Management and administration.....	28,101,871	46,953,250	34,484,919
Maintenance and distribution.....	-	32,183,766	-
Power purchases.....	-	70,116,696	-
Treatment plants.....	-	16,408,934	-
Other services and charges.....	-	7,742,904	-
Depreciation and amortization.....	3,468,470	23,948,781	6,164,631
Total operating expenses.....	<u>31,570,341</u>	<u>197,354,331</u>	<u>40,649,550</u>
Operating income (loss).....	<u>(6,873,350)</u>	<u>19,837,842</u>	<u>1,591,866</u>
Nonoperating revenues (expenses)			
Interest on investments.....	1,445,956	11,566,891	295,023
Intergovernmental.....	6,485,139	7,013,486	-
Miscellaneous and other nonoperating.....	96,331	23,992,980	2,828,201
Interest on lease receivable.....	-	321	-
Interest expense and fiscal charges.....	(55,447)	(6,346,461)	(54,766)
Amortization of gain on refunding.....	-	738,915	-
Gain (loss) on disposal of capital assets.....	-	(7,812)	676,000
Total nonoperating revenues (expenses).....	<u>7,971,979</u>	<u>36,958,320</u>	<u>3,744,458</u>
Income (loss) before capital contributions and transfers	1,098,629	56,796,162	5,336,324
Capital contributions.....	-	185,368	-
Transfers in.....	2,265,785	2,265,785	1,012,108
Transfers out.....	(150,000)	(3,758,332)	-
Change in net position.....	<u>3,214,414</u>	<u>55,488,983</u>	<u>6,348,432</u>
Total net position - beginning.....	<u>64,461,916</u>	<u>504,421,251</u>	<u>27,305,731</u>
Restatement.....	<u>(596,504)</u>	<u>(3,039,191)</u>	<u>(202,896)</u>
Total net position - beginning, as restated.....	<u>63,865,412</u>	<u>501,382,060</u>	<u>27,102,835</u>
Total net position - ending.....	<u>\$ 67,079,826</u>	<u>\$ 556,871,043</u>	<u>\$ 33,451,267</u>
Reconciliation to the Statement of Activities:			
Change in net position of enterprise funds		\$ 55,488,983	
Adjustment to reflect the profit/loss distribution of internal service fund activities		1,335,346	
Change in net position - business-type activities		<u>\$ 56,824,329</u>	

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Major Funds	
	Business-Type - Enterprise Funds	
	Water and Sewer	Electric
Cash Flows From Operating Activities		
Receipts from customers and users.....	\$ 69,753,228	\$ 123,324,210
Receipts from interfund services provided.....	-	-
Payments to employees and related fringe benefits.....	(13,718,890)	(16,249,637)
Payments to suppliers and operating costs.....	(30,210,357)	(85,446,366)
Net Cash Change in Operating Activities	25,823,981	21,628,207
Cash Flows From Non Capital Financing Activities		
Transfers in.....	-	-
Transfers out.....	(445,000)	(3,163,332)
Advances from/(to) other funds.....	-	400,000
Intergovernmental.....	-	-
Nonoperating grant and miscellaneous.....	45,666	23,850,983
Other intergovernmental reimbursements.....	-	528,347
Net Cash Change in Non-Capital Financing Activities	(399,334)	21,615,998
Cash Flows From Capital and Related Financing Activities		
Issuance of long-term debt	68,957,859	-
Payment to trustee for refunded bonds.....	(29,906,000)	-
Principal payments on long-term debt.....	(9,790,073)	-
Principal payments on leases.....	(14,148)	(14,121)
Principal payments on SBITA.....	(10,719)	(123,883)
Interest payments and fiscal charges on long-term debt.....	(6,296,112)	(8,013)
Proceeds collected on the sale of capital assets.....	-	-
Acquisition and construction of capital assets.....	(13,557,137)	(18,192,112)
Net Cash Change in Capital and Related Financing Activities	9,383,670	(18,338,129)
Cash Flows From Investing Activities		
Interest earned (unrealized loss) on investments.....	3,090,746	7,362,367
Net Cash Change Investing Activities	3,090,746	7,362,367
Net increase (decrease) in cash and investments	37,899,063	32,268,443
Cash and investments at the beginning of the year	71,080,425	126,457,658
Cash and investments at the end of the year	\$ 108,979,488	\$ 158,726,101
Operating income (loss).....	\$ 9,940,515	\$ 16,770,677
Adjustments to reconcile Operating Income (Loss) to		
Net Cash Change Operating Activities:		
Depreciation and amortization.....	16,821,210	3,659,101
Change in net position		
(Increase) decrease in Accounts Receivable.....	320,105	233,069
(Increase) decrease in Inventories.....	-	(403,015)
(Increase) decrease in Prepaid Expenses.....	-	-
(Increase) decrease in Deferred Outflows of Resources-Pensions.....	690,337	661,889
(Increase) decrease in Deferred Outflows of Resources-OPEB.....	(44,016)	(18,034)
Increase (decrease) in Payables and Accrued Expenses.....	(1,773,506)	694,700
Increase (decrease) in Deposits.....	(2,179)	51,842
Increase (decrease) in Compensated Absences.....	115,676	85,270
Increase (decrease) in Net Pension Liability.....	(340,737)	(110,988)
Increase (decrease) in Total OPEB Liability.....	112,443	7,426
Increase (decrease) in Deferred Inflows of Resources-Pensions.....	12,806	19,412
Increase (decrease) in Deferred Inflows of Resources-OPEB.....	(8,092)	(23,142)
Increase (decrease) in Unearned Revenue.....	(20,581)	-
Total adjustments.....	15,883,466	4,857,530
Net Cash Change in Operating Activities.....	\$ 25,823,981	\$ 21,628,207
NONCASH FINANCING ACTIVITIES		
Capital assets contributed by developers and other funds.....	\$ 185,368	\$ -
Issuance of leases/SBITAs.....	98,605	185,263
Total noncash financing activities.....	\$ 283,973	\$ 185,263

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

CITY OF HIGH POINT, NORTH CAROLINA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type - Enterprise Funds		Governmental
	Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows From Operating Activities			
Receipts from customers and users.....	\$ 23,499,970	\$ 216,577,408	\$ 6,308,993
Receipts from interfund services provided.....	-	-	36,439,011
Payments to employees and related fringe benefits.....	(13,120,169)	(43,088,696)	(2,580,327)
Payments to suppliers and operating costs.....	(14,498,621)	(130,155,344)	(33,747,498)
Net Cash Change in Operating Activities	(4,118,820)	43,333,368	6,420,179
Cash Flows From Non Capital Financing Activities			
Transfers in.....	2,265,785	2,265,785	1,012,108
Transfers out.....	(150,000)	(3,758,332)	-
Advances from/(to) other funds.....	24,353	424,353	-
Intergovernmental.....	6,485,139	6,485,139	-
Nonoperating grant and miscellaneous.....	96,331	23,992,980	2,828,201
Intergovernmental revenues and reimbursements.....	-	528,347	-
Net Cash Change in Non-Capital Financing Activities	8,721,608	29,938,272	3,840,309
Cash Flows From Capital and Related Financing Activities			
Proceeds from issuance of long-term debt	-	68,957,859	1,550,000
Payment to trustee for refunded bonds.....	-	(29,906,000)	-
Principal payments on long-term debt.....	(859,738)	(10,649,811)	(916,843)
Principal payments on leases.....	(38,177)	(66,446)	(168,940)
Principal payments on SBITA.....	(181,646)	(316,248)	(590,641)
Interest payments and fiscal charges on long-term debt.....	(108,501)	(6,412,626)	(54,766)
Proceeds collected on the sale of capital assets.....	-	-	866,103
Acquisition and construction of capital assets.....	(6,660,477)	(38,409,726)	(7,012,149)
Net Cash Change in Capital and Related Financing Activities	(7,848,539)	(16,802,998)	(6,327,236)
Cash Flows From Investing Activities			
Interest earned (unrealized loss) on investments.....	1,547,198	12,000,311	304,571
Net Cash Change Investing Activities	1,547,198	12,000,311	304,571
Net increase (decrease) in cash and investments	(1,698,553)	68,468,953	4,237,823
Cash and investments at the beginning of the year	35,393,979	232,932,062	11,992,506
Cash and investments at the end of the year	\$ 33,695,426	\$ 301,401,015	\$ 16,230,329
Operating income (loss).....	\$ (6,873,350)	\$ 19,837,842	\$ 1,591,866
Adjustments to reconcile Operating Income (Loss) to			
Net Cash Change Operating Activities:.....			
Depreciation and amortization.....	3,468,470	23,948,781	6,164,631
Change in net position			
(Increase) decrease in Accounts Receivable.....	(1,196,551)	(643,377)	506,588
(Increase) decrease in Inventories.....	(26,998)	(430,013)	(49,014)
(Increase) decrease in Prepaid Expenses.....	(53,490)	(53,490)	(320,294)
(Increase) decrease in Deferred Outflows of Resources-Pensions.....	619,545	1,971,771	109,732
(Increase) decrease in Deferred Outflows of Resources-OPEB.....	(63,508)	(125,558)	(4,529)
Increase (decrease) in Payables and Accrued Expenses.....	(34,071)	(1,112,877)	(1,605,403)
Increase (decrease) in Deposits.....	(470)	49,193	-
Increase (decrease) in Compensated Absences.....	106,944	307,890	42,759
Increase (decrease) in Net Pension Liability.....	(250,267)	(701,992)	(21,335)
Increase (decrease) in OPEB Liability.....	176,140	296,009	5,834
Increase (decrease) in Deferred Inflows of Resources-Pensions.....	13,329	45,547	3,121
Increase (decrease) in Deferred Inflows of Resources-OPEB.....	(4,543)	(35,777)	(3,777)
Increase (decrease) in Unearned Revenue.....	-	(20,581)	-
Total adjustments.....	2,754,530	23,495,526	4,828,313
Net Cash Change in Operating Activities.....	\$ (4,118,820)	\$ 43,333,368	\$ 6,420,179
NONCASH FINANCING ACTIVITIES			
Capital assets contributed by developers and other funds.....	\$ -	\$ 185,368	\$ -
Issuance of leases/SBITAs.....	118,861	402,729	2,475,293
Net Cash Change in Operating Activities.....	\$ 118,861	\$ 588,097	\$ 2,475,293

CITY OF HIGH POINT, NORTH CAROLINA

Notes to Financial Statements June 30, 2025

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. Reporting Entity

The City of High Point is located in the Piedmont area of the State and has a population of 118,399. 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 units, which are legally separate entities. Criteria used to establish financial accountability include appointment of a voting majority of the component unit's governing board and imposition of will or a financial benefit/burden relationship, fiscal dependency or other significant operational and financial relationships.

1. Blended Component Units

Blended component units, although legally separate entities are, in substance, part of the City's operation. Each of these units has a June 30 year-end and the financial amounts from these units are combined with amounts of the primary government.

Forward High Point, Inc. (FHP) assists the City in purchasing strategic property in the City for development and other economic development projects in the downtown area, growing the City's tax base and increasing economic activity in the area. The mission of FHP is to transform downtown High Point into an extraordinary and vibrant destination to live, work, study, and play. City staff and elected officials serve on the board and the organization exists to serve primarily the City of High Point. A financial burden exists, as the City is required to transfer funds to FHP in an amount sufficient to sustain operations. The assets and liabilities are combined with assets and liabilities of the Special Revenue Funds for financial statement purposes. FHP reports under the Financial Accounting Standards Board (FASB). As such, certain revenue recognition, debt payments, and presentation features are different from GASB revenue recognition, debt payments, and presentation features. The City modified certain portions of FHP's financial information to include FHP in the Special Revenue Funds at the modified accrual level. No modifications have been made to FHP's financial information at the City's government-wide level. Complete financial statements and related information for FHP may be obtained from the entity's administrative offices at 164 S. Main Street, Suite 606, High Point, NC 27260.

The High Point Public Facilities Corporation (HPPFC) assists the City in financing, acquiring, and constructing public facilities. The sole purpose of the HPPFC is to provide a funding source for City assets, lease the assets to the City and to use the lease payments to repay the debt. The corporation has no other operations. The HPPFC's three-member governing board is composed of City staff as directed in the corporation's bylaws. A financial burden exists, as the City is required to transfer funds to the HPPFC in an amount sufficient to pay the scheduled debt service on HPPFC's outstanding debt. The HPPFC's cash

and debt are considered with assets of the Debt Service Fund and Governmental Liabilities for financial statement purposes.

2. Discretely Presented Component Unit

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, which represents a financial benefit to the City. Therefore, the ABC Board is reported as a discretely presented component unit in the city's financial statements. 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. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the 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, deferred outflows and inflows, reserves, fund balance, 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. Separate statements for each fund category – *governmental and proprietary* – are presented. The City has no fiduciary funds to report. 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 culture 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 four special revenue funds: The Special Grants Fund, The Opioid Settlement Fund, The Community Development Fund and the Showroom and Occupancy Tax Fund. The City's blended component units are reported as part of 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 Mass Transit Capital Projects Ordinance Fund, the Solid Waste 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 type:

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 two

Internal Service Funds reported as one combined fund. The components of the Internal Service Fund are Fleet Services, Radio Repair, Computer Replacement, Print Shop, Health and Wellness, and Risk.

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, deferred outflows, liabilities, deferred inflows, 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.).

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 and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year.

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 in which eligibility requirements have not been met 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 Fund, Special Revenue Funds, General Debt Service Fund, 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 Funds operation as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting.

The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the function level, 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 Balance

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 mutual fund shares when the mutual fund is certified by the Local Government Commission. The City's and the ABC Board's investments are generally reported at fair value. Non-participating interest earning contracts are accounted for at cost.

The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value, which is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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 with an original maturity of three months or less to be 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, Limited Obligation 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 to the service for which the deposit was collected. The City Council has adopted a strategy to stabilize retail electric utility rates for the benefit of users of the Electric Utility Operations Fund by creating a Rate Stabilization Reserve included in restricted cash.

City of High Point Restricted Cash and Investments	
Governmental activities	June 30, 2025
General Fund	
Customer deposits	\$ 1,947,392
General Capital Projects Fund	
Unexpended bond proceeds	6,865,348
Non-major governmental funds	
Unexpended grant receipts	4,259,221
Blended component unit deposits	388,862
Internal service funds	
Unexpended installment financing proceeds	1,551,259
Total governmental activities	<u>15,012,082</u>
Business-type activities	
Water & Sewer Fund	
Customer deposits	438,605
Restricted for capital projects	59,963,662
Electric Fund	
Customer deposits	1,312,312
Restricted for capital projects	41,341,761
Restricted for rate stabilization	36,585,328
Non-major enterprise funds	
Customer deposits	8,770
Restricted for capital projects	17,401,311
Unexpended grant receipts	263,778
Total business-type activities	<u>157,315,527</u>
Total Restricted Cash and Investments	<u>\$ 172,327,609</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, 2024. 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 2022 tax levy. The City's current combined tax rate is \$.6475. 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, 2025, was \$.6135 per \$100, which means that the City has a tax margin of \$.8865 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 outstanding percentage of receivables for 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. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

8. 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.

9. 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. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. The cost of normal maintenance and repairs that do not add to the value or materially extend the assets' lives are not capitalized.

The City's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the City reports a lease (only applies when the City is the lessee) or agreements where the City reports a SBITA in accordance with requirements of GASB Statement No. 87 and GASB Statement No. 96, respectively.

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

The right to use SBITA assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any subscription payments made at the start of the subscription term, if applicable, plus capitalizable initial implementation costs at the start of the subscription term, less any incentives received from the IT subscription vendor at the start of the subscription term. Subscription payments, as well as payments

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

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	5-20 years
Equipment	3-20 years
Computer software/Intangibles	5-10 years

Capital assets of the ABC Board are recorded at original cost at the time of acquisition. Property, plant, and equipment donated to the ABC Board received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. 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.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to future periods, and so will not be recognized as an expense or expenditure until then.

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 assets that applies to future periods, and so will not be recognized as revenue until then.

11. 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, except for any prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs, as applicable, are expensed over the life of the debt.

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.

12. Compensated Absences

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or paid to an employee flex spending account) during or upon separation from employment. Based on the criteria above, three types of leave qualify for liability recognition for compensated absences – vacation, sick leave and comp time. The liability for compensated absences is recorded as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits where applicable.

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. 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.

13. Net Position / Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted.

- 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.

Fund Balance

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.

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

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

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

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS, as shown in Note 4.B.6 RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the Balance Sheet.

Restricted for community and economic development – portion of Fund Balance Restricted as to control by the City's blended component units (FHP).

Restricted for grant programs – portion of fund balance restricted by various granting agencies for expenditures for public safety, planning and community development, transportation, 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 public safety – portion of fund balance available for appropriation that has been committed by City Council for public safety in order to service future law enforcement officer's special separation allowance pension obligations.

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

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 2025-2026 budget ordinance that is not already classified in restricted or committed.

Assigned for general government – portion of fund balance that has been budgeted for City Hall and redevelopment projects.

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

Assigned for culture and recreation - portion of fund balance that has been budgeted for lighting system improvements at the High Point Theatre as well as Parks and Recreation improvements related to the Piedmont Environmental Center.

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	June 30, 2025
Subsequent year's expenditures	\$ 1,994,529
General government (Economic Development Alliance)	20,000
Public safety (Police Community Day)	8,193
Culture and recreation (Theatre)	116,274
Culture and recreation (Parks and Recreation)	18,991
Public services and transportation (Transportation)	51,245
Public services and transportation (Public Services)	14,063
Total assigned fund balances	\$ 2,223,295

Unassigned Fund Balance - This is the 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. The City may from time to time fall below this amount. In such circumstances, Council will adopt a plan to restore available fund balances to the policy level within 36 months, or other such appropriate time period.

14. Defined Benefit Cost-Sharing and Single Employer Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local 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.

The City participates in one other post-employment benefit plan (OPEB), for health insurance (the Plan). The City currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to premiums related to the coverage. For purposes of measuring the net OPEB liability, deferred outflows and inflow of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The City also administers a single-employer defined benefit pension plan that provides retirement benefits to the City's sworn law enforcement. This Law Enforcement Special Separation Allowance (LEOSSA) Plan is consolidated with the General Fund for reporting in compliance with GASB Statement No. 73 as it is not a defined trust. The full accrual impacts of the pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense are captured on the government-wide statements.

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 unearned 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. The City makes periodic payments to FHP for operational purposes.

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, deferred outflows, liabilities, and deferred inflows 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 in governmental funds are summarized to the reconciliation on page 20 of the financial statements.

Accrued interest payable	\$ 1,014,482
Compensated absences	15,121,778
Installment contracts payable	2,561,446
Leases	4,225,522
SBITA	2,129,858
LEOSSA pension liability	16,714,613
LGERS pension liability	47,251,435
OPEB liability	10,022,277
Loans payable	3,528,000
Limited obligation bonds payable	46,942,000
General obligation bonds payable	53,381,142
Premium on general obligation bonds	2,164,172
Component unit deferred loss on refunding	(31,500)
Component unit leases	37,896
Total liabilities not payable in certain period	<u>\$ 205,063,121</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, 2025 the City’s deposits had a carrying amount of \$31,740,949 and a bank balance of \$31,036,123. The carrying amount of deposits for the ABC Board was \$2,654,113 and the bank balance was \$2,394,955. Of the bank balances, the City and the ABC Board had \$250,000 and \$484,136 respectively, covered by federal depository insurance and the remainder of \$30,786,123 and \$1,897,190 respectively, was covered by collateral held under the pooling method. At June 30, 2025, the City and the ABC Board held petty cash funds of \$48,198 and \$21,250, respectively.

At June 30, 2025 the FHP had deposits with a carrying amount of \$388,862 and covered by federal depository insurance.

2. Investments

At June 30, 2025, the City’s investment balances were as follows:

	Valuation Measurement Method	Book Value at 6/30/2025	Maturity	Rating
Government Agencies	Fair Value Level 2	\$ 131,634,040	1 to 5 Years	AAA/Aaa
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	236,017,135	N/A	AAAm
		\$ 367,651,175		

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

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

Interest Rate Risk. 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, 2025, the investments in the U.S. Government Agencies were rated AAA by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAA by Standard & Poor’s as of June 30, 2025.

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 (4.67%), Federal Farm Credit Bank (9.36%), and Federal Home Loan Bank (15.20%) 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:

General Fund:	
Taxes receivable	\$ 2,671,313
Accounts receivable	1,760,617
Total General Fund	<u>4,431,930</u>
Special Revenue Fund:	
Notes and Loans receivable	786,731
Accounts receivable	3,669
Total Special Revenue Funds	<u>790,400</u>
Water and Sewer Fund:	
Accounts receivable	671,165
Electric Fund:	
Accounts receivable	1,614,350
Mass Transit Fund	
Taxes receivable	235,060
Solid Waste Fund:	
Accounts receivable	118,826
Storm Water Fund:	
Accounts receivable	41,924
Total Allowances	<u><u>\$ 7,903,655</u></u>

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025, follows:

	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land and other nondepreciable capital assets.....	\$ 40,688,266	\$ 787,471	\$ 1,380	\$ 41,474,357
Intangibles.....	115,889	-	-	115,889
Construction in progress.....	7,712,970	11,693,388	2,738,499	16,667,859
Total capital assets not being depreciated	<u>48,517,125</u>	<u>12,480,859</u>	<u>2,739,879</u>	<u>58,258,105</u>
Capital assets being depreciated				
Buildings and other improvements.....	185,366,112	1,263,468	-	186,629,580
Intangibles.....	329,934	7,400	-	337,334
Equipment.....	105,531,616	12,545,422	5,818,862	112,258,176
Infrastructure.....	597,714,819	4,948,868	79,794	602,583,893
Total capital assets being depreciated	<u>888,942,481</u>	<u>18,765,158</u>	<u>5,898,656</u>	<u>901,808,983</u>
Less accumulated depreciation for:				
Buildings and other improvements.....	69,297,397	6,357,279	-	75,654,676
Intangibles.....	159,596	41,108	-	200,704
Equipment.....	73,594,724	8,011,874	5,622,192	75,984,406
Infrastructure.....	487,729,190	10,028,031	-	497,757,221
Total accumulated depreciation	<u>630,780,907</u>	<u>\$ 24,438,292</u>	<u>\$ 5,622,192</u>	<u>649,597,007</u>
Total capital assets being depreciated (net).....	<u>258,161,574</u>			<u>252,211,976</u>
Capital assets being amortized				
Right to use assets:				
Lease equipment.....	8,324,259	199,898	1,396,587	7,127,570
Leased buildings.....	-	45,199	-	45,199
IT subscriptions.....	4,712,978	5,196,823	2,349,438	7,560,363
Total capital assets being amortized.....	<u>13,037,237</u>	<u>5,441,920</u>	<u>3,746,025</u>	<u>14,733,132</u>
Less accumulated amortization for:				
Right to use assets:				
Lease equipment.....	2,255,060	1,459,050	1,396,587	2,317,523
Leased buildings.....	-	7,796	-	7,796
IT subscriptions.....	3,062,275	1,922,643	2,041,860	2,943,058
Total accumulated amortization.....	<u>5,317,335</u>	<u>3,389,489</u>	<u>3,438,447</u>	<u>5,268,377</u>
Total capital assets being amortized (net).....	<u>7,719,902</u>			<u>9,464,755</u>
Governmental activities capital assets, net.....	<u>\$ 314,398,601</u>			<u>\$ 319,934,836</u>

	Beginning	Increases &	Decreases &	Ending
	Balance	Reclassifications	Reclassifications	Balance
Business-type activities:				
Capital assets not being depreciated				
Land and other nondepreciable capital assets.....	\$ 14,743,543	\$ 2,026,261	\$ -	\$ 16,769,804
Construction in progress.....	35,761,936	23,322,524	23,070,130	36,014,330
Total capital assets not being depreciated.....	50,505,479	25,348,785	23,070,130	52,784,134
Capital assets being depreciated				
Buildings and other improvements.....	113,967,453	13,068,293	79,530	126,956,216
Equipment.....	28,018,154	3,616,355	2,209,000	29,425,509
Infrastructure.....	702,353,535	20,442,531	630,177	722,165,889
Intangibles.....	6,305,707	117,140	-	6,422,847
Capital assets being depreciated.....	850,644,849	37,244,319	2,918,707	884,970,461
Less accumulated depreciation for:				
Buildings and other improvements.....	85,550,867	2,566,250	-	88,117,117
Equipment.....	19,381,687	1,665,344	2,201,189	18,845,842
Infrastructure.....	342,068,205	18,917,276	-	360,985,481
Intangibles.....	4,988,337	362,770	-	5,351,107
Total accumulated depreciation.....	451,989,096	\$ 23,511,640	\$ 2,201,189	473,299,547
Total capital assets being depreciated (net).....	398,655,753			411,670,914
Capital assets being amortized				
Right to use assets:				
Lease equipment.....	247,911	53,923	21,369	280,465
Lease buildings.....	8,308	-	-	8,308
IT subscriptions.....	1,260,358	885,160	43,153	2,102,365
Total capital assets being amortized	1,516,577	939,083	64,522	2,391,138
Less accumulated amortization for:				
Right to use assets:				
Lease equipment.....	71,632	65,565	21,369	115,828
Lease buildings.....	3,693	1,231	-	4,924
IT subscriptions.....	353,238	370,345	43,153	680,430
Total accumulated amortization.....	428,563	437,141	64,522	801,182
Total capital assets being amortized (net).....	1,088,014			1,589,956
Business-Type Activities fund capital assets, net.....	\$ 450,249,246			\$ 466,045,004

During the fiscal year, assets were transferred between business-type activities and governmental activities in the amount of \$5,230 (with accumulated depreciation of \$5,230). During the fiscal year, assets were transferred between governmental activities in the amount of \$265,167 (with accumulated depreciation of \$128,584).

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

	Depreciation	Amortization
	2025	2025
Governmental activities:		
General Government	\$ 11,673,303	\$ 1,858,200
Public Safety.....	3,398,105	862,828
Public Services and Transportation.....	3,773,040	-
Planning and Community Development.....	143,797	61,342
Culture and Recreation.....	5,313,229	607,119
Total governmental activities depreciation expense	\$ 24,301,474	\$ 3,389,489
Business-type activities:		
Water and Sewer.....	\$ 16,784,079	\$ 37,131
Electric.....	3,548,332	110,769
Mass Transit.....	1,042,619	192,281
Parking Facilities.....	122,223	-
Landfill Facilities.....	1,242,908	96,960
Storm Water Facilities.....	771,479	-
Total business-type activities depreciation expense	\$ 23,511,640	\$ 437,141

Capital asset activity for the ABC Board for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
Capital assets not being depreciated				
Land	\$ 689,656	\$ -	\$ -	\$ 689,656
Total capital assets not being depreciated.	\$ 689,656	\$ -	\$ -	\$ 689,656
Capital assets being depreciated				
Buildings	3,266,112	324,531	15,444	3,575,199
Equipment and vehicles	1,891,214	181,914	19,919	2,053,209
Leasehold improvements	571,190	8,113	1,286	578,017
Construction in progress	36,997	50,769	36,997	50,769
Capital assets being depreciated.....	\$ 5,765,513	\$ 565,327	\$ 73,646	\$ 6,257,194
Less accumulated depreciation for:				
Buildings	2,719,192	111,854	15,444	2,815,602
Equipment and vehicles	1,376,600	211,375	19,919	1,568,056
Leasehold improvements	90,872	73,646	1,286	163,232
Total accumulated depreciation.....	4,186,664	\$ 396,875	\$ 36,649	4,546,890
Total capital assets being depreciated (net).	\$ 1,578,849			\$ 1,710,304
Capital Assets, Net	\$ 2,268,505			\$ 2,399,960

A summary of lease assets for the ABC Board at June 30, 2025 follows:

	Beginning Balance	Increases & Reclassifications	Decreases & Reclassifications	Ending Balance
Right to use assets:				
Buildings	\$ 5,098,923	\$ 369,804	\$ 112,209	\$ 5,356,518
Accumulated amortization	893,452	423,704	112,209	1,204,947
Total right to use assets ABC Board (net)	\$ 4,205,471	\$ (53,900)	\$ -	\$ 4,151,571

B. Liabilities

1. Accounts payable, contracts payable and accrued expenses as of June 30, 2025 consisted of the following:

	Accounts <u>Payable</u>	Accrued Payroll <u>and Expenses</u>	<u>Total</u>
Governmental Activities			
General	\$ 4,293,423	\$ 5,041,084	\$ 9,334,507
General Capital Projects	1,474,471	-	1,474,471
Other Non-major governmental funds ..	1,280,570	35,720	1,316,290
Internal Service Fund	<u>3,929,614</u>	<u>93,453</u>	<u>4,023,067</u>
Total governmental activities	<u>10,978,078</u>	<u>5,170,257</u>	<u>16,148,335</u>
Business-Type Activities			
Water and Sewer	2,842,621	632,759	3,475,380
Electric	10,630,701	710,729	11,341,430
Other Non-major enterprise funds	<u>825,265</u>	<u>569,282</u>	<u>1,394,547</u>
Total enterprise funds	<u>14,298,587</u>	<u>1,912,770</u>	<u>16,211,357</u>
Total Primary Government	<u>\$ 25,276,665</u>	<u>\$ 7,083,027</u>	<u>\$ 32,359,692</u>

2. Pension Plan and Other Postemployment Benefits

- 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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, 2025, was 15.04% of compensation for law enforcement officers and 13.64% 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. The ABC Board's contractually required contribution rate for the year ended June 30, 2025, was 18.58%. Contributions to the pension plan from the City of High Point and ABC Board were \$13,835,800 and \$402,842 respectively, for the year ended June 30, 2025.

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, 2025, the City reported a liability of \$65,736,556 for its proportionate share of the net pension liability and the ABC Board reported a liability of \$1,272,925. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025 (measurement date), the City's proportion was 0.97511%, which was a decrease of 0.03683% from its proportion measured as of June 30, 2024. The ABC Board's proportion was 0.01888%.

For the year ended June 30, 2025, the City recognized pension expense of \$19,348,963 and the ABC Board recognized pension expense of \$404,458. At June 30, 2025, 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	\$ 11,519,534	\$ 77,453
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	8,936,846	-
Changes in proportion and differences between City contributions and proportionate share of contributions	331,475	888,932
City contributions subsequent to the measurement date	13,835,800	-
Total	<u>\$ 34,623,655</u>	<u>\$ 966,385</u>

\$13,835,800 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 6,099,889
2027	12,762,780
2028	1,969,304
2029	<u>(1,010,503)</u>
Total	<u>\$ 19,821,470</u>

The ABC Board reported deferred outflows of resource and deferred outflows and 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	\$ 223,065	\$ 1,500
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	173,053	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	6,731	26,055
Board contributions subsequent to the measurement date	<u>296,236</u>	<u>-</u>
Total	<u>\$ 699,085</u>	<u>\$ 27,555</u>

Amounts totaling \$296,236 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date, will be recognized as a decrease of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 117,348
2027	244,509
2028	33,004
2029	<u>(19,567)</u>
Total	<u>\$ 375,294</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.5% 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2020.

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, 2025 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	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	100%	

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

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

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

	<u>1% Decrease (5.5%)</u>	<u>Discount Rate (6.5%)</u>	<u>1% Increase (7.5%)</u>
City's proportionate share of the net pension liability (asset)	\$ 116,487,102	\$ 65,736,556	\$ 23,987,252

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

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 under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% 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 covers all full-time law enforcement officers of the City. At June 30, 2024, the Separation Allowance’s membership consisted of:

Retirees currently receiving benefits.....	68
Active plan members.....	<u>216</u>
Total.....	<u><u>284</u></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. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with terms of the plan.

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the June 30, 2024 valuation. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.28 percent

The discount rate is based on the yield of the Bond Buyer 20-Bond GO index as of December 31, 2024. Mortality rates are based on the Pub-2010 Mortality tables, projected forward generationally from the valuation date using MP-2019.

4. Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through

appropriations made in the General Fund operating budget. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. The City has chosen to set aside additional funds for future costs within the fund balance in the General Fund. During the fiscal year ended June 30, 2023, the City committed an additional \$50,000 toward the reduction of the accrued actuarial liability. Administration costs of the Separation Allowance are financed through investment earnings. The City paid \$1,394,911 as benefits came due for the reporting period.

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

At June 30, 2025, the City reported a total pension liability of \$16,714,613. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. The total pension liability was then rolled forward to the measurement date of June 30, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the City recognized pension expense of \$1,888,991.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 865,821	\$ 40,451
Changes of assumptions	854,981	1,639,225
Benefit payments and administrative expenses subsequent to the measurement date	725,621	-
Total	<u>\$ 2,446,423</u>	<u>\$ 1,679,676</u>

\$725,621 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Amount recognized as an increase to Pension Expense</u>
2026	1,247,893	(776,443)	471,450
2027	413,317	(650,508)	(237,191)
2028	59,592	(140,402)	(80,810)
2029	-	(112,323)	(112,323)
	<u>\$ 1,720,802</u>	<u>\$ (1,679,676)</u>	<u>\$ 41,126</u>

Sensitivity of the City's total pension liability to changes in the discount rate. The following presents the City's total pension liability calculated using the discount rate of 4.28%, as well as what the City's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28%) or 1-percentage-point higher (5.28%) than the current rate:

	<u>1% Decrease (3.28%)</u>	<u>Discount Rate (4.28%)</u>	<u>1% Increase (5.28%)</u>
Total pension liability	\$ 17,973,424	\$ 16,714,613	\$ 15,565,818

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

	2025
Beginning balance of total pension liability	\$ 17,620,729
Changes for the year:	
Service cost	522,326
Interest on the total pension liability	640,400
Changes of Benefits Terms	-
Differences between expected and actual	(51,096)
Changes of assumptions or other inputs	(622,835)
Benefit payments	(1,394,911)
Ending balance of the total pension liability	\$ 16,714,613

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2020.

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$ 19,348,963	\$ 1,888,991	\$ 21,237,954
Pension Liability	65,736,556	16,714,613	82,451,169
Proportionate share of the net pension liability	1.0119%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	\$ 11,519,534	\$ 865,821	\$ 12,385,355
Changes of assumptions	-	854,981	854,981
Net difference between projected and actual earnings on plan investments	8,936,846	-	8,936,846
Changes in proportion and differences between contributions and proportionate share of contributions	331,475	-	331,475
Contributions, benefit payments and administrative costs paid subsequent to the measurement date	13,835,800	725,621	14,561,421
Total Deferred Outflows of Resources	\$ 34,623,655	\$ 2,446,423	\$ 37,070,078
 Deferred of Inflows of Resources			
Differences between expected and actual experience	\$ 77,453	\$ 40,451	\$ 117,904
Changes of assumptions	-	1,639,225	1,639,225
Changes in proportion and differences between contributions and proportionate share of contributions	888,932	-	888,932
Total Deferred Inflows of Resources	\$ 966,385	\$ 1,679,676	\$ 2,646,061

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 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan 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 made by the City for the year ended June 30, 2025 were \$907,888. No amounts were forfeited.

d. Firefighters' and Rescue Squad Workers' Pension Fund

Plan Description. The State of North Carolina contributes, on behalf of the City of High Point, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire 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 Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR 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, 2025 the State contributed \$19,789,708 to the plan. The City of High Point's proportionate share of the State's contribution is \$85,888.

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, 2025, 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 \$85,588. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024 and at June 30, 2025 was 0%.

For the year ended June 30, 2025, the City recognized pension expense of \$33,600 and revenue of \$33,600 for support provided by the State. At June 30, 2025, the City reported no deferred outflows of resources and no deferred inflows of resources related to the FRSWPF.

Actuarial Assumptions. The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	6.5%, 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

e. Other Postemployment 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 Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. 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 health and dental 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 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 at June 30, 2024, the date of the latest actuarial valuation consisted of the following:

	<u>Members</u>	<u>ABC Board</u>
Active	1,368	39
Retired	68	-
Total	<u>1,436</u>	<u>39</u>

Total OPEB Liability

The City's total OPEB liability of \$14,889,727 was measured as of June 30, 2024 and was determined by an actuarial valuation date of June 30, 2024. The ABC Board's total OPEB liability is \$424,195.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Salary increases, including inflation	
Law Enforcement	3.3% - 8%
General Employees and Firefighters	3.3% - 8.3%
Discount rate	3.97%
Healthcare cost trend Trends (pre-medicare)	7.00% for 2024 decreasing to an ultimate rate of 4.50% by 2030

The discount rate is based on the June average of the Bond Buyer 20-Bond GO Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

	<u>City of High Point</u>	<u>ABC Board</u>
Balance at July 1, 2023 (July 1, 2024 for ABC Board)	\$ 13,898,347	\$ 384,437
Changes for the year		
Service Cost	669,453	40,544
Interest	526,736	15,512
Changes of Benefit terms	-	-
Differences between expected and actual experience	(727,044)	
Changes in assumptions or other inputs	1,061,733	(16,298)
Benefit payments	(539,498)	-
Net Changes	<u>991,380</u>	<u>39,758</u>
Balance at June 30, 2023 (June 30, 2025 for ABC Board)	<u>\$ 14,889,727</u>	<u>\$ 424,195</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.69% to 3.86% due to a change in the Municipal Bond Rate.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.97%) or 1-percentage-point higher (4.97%) than the current discount rate:

	1% Decrease (2.97)	Discount Rate (3.97%)	1% Increase (4.97%)
Total OPEB liability	\$ 16,575,795	\$ 14,889,727	\$ 13,408,601

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following exhibit presents the total OPEB liability of the City, calculated using the health care costs trend rates, as well as what the City's OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB liability	\$ 13,135,643	\$ 14,889,727	\$ 16,972,904

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$1,100,983. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	City of High Point		ABC Board	
	Deferred of Resources	Deferred of Resources	Deferred of Resources	Deferred of Resources
Differences between expected and actual experience	\$ 708,358	\$ 1,489,297	\$ 56,850	\$ 33,006
Changes of assumptions	2,184,890	785,217	45,806	58,394
Benefit payments and administrative costs made subsequent to the measurement date	696,713	-	-	-
Total	<u>\$ 3,589,961</u>	<u>\$ 2,274,514</u>	<u>\$ 102,656</u>	<u>\$ 91,400</u>

\$606,085 reported as deferred outflows of resources related to pensions resulting from OPEB payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2026.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows.

For the Measurement Period Ended June 30:

	City of High Point	ABC Board
2026	(70,678)	(347)
2027	116,936	(347)
2028	350,585	194
2029	233,432	10,362
2030	(67,512)	7,362
Thereafter	55,971	(5,968)
	<u>\$ 618,734</u>	<u>\$ 11,256</u>

3. Other Post-Employment Benefits

The City has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months 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 postemployment 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.

The City also provides employees with additional group term life insurance equal to the employee's annual salary as measured on January 1 of each year. The City has no liability beyond the payment of monthly contributions.

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
LEOSSA benefit payments made subsequent to measurement date	\$ 725,621
Contributions for LGERS made subsequent to measurement date	13,835,800
OPEB benefit payments made subsequent to measurement date	696,713
Differences between expected and actual experience	13,093,713
Changes of assumptions	3,039,871
Net difference between projected and actual	8,936,846
Changes in proportion and differences between employer contributions and proportionate share of contributions	331,475
Amortized financing costs of blended component unit	31,500
Total	<u>\$ 40,691,539</u>

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

<u>Source</u>	<u>Statement of Net Position</u>	<u>Governmental Funds Balance Sheet</u>
Prepaid taxes (General Fund)	\$ 13,422	\$ 13,422
Taxes Receivable, less penalties (General Fund)	-	1,111,803
Grant and Miscellaneous Receivable (General Fund)	-	402,529
Lease Receivable (General Fund)	5,961,575	5,961,575
Grant and Miscellaneous Receivable (General Capital Projects Fund)	-	694,718
Unavailable Grant Receivables (Non-major governmental funds)	-	2,565,809
Unavailable Opioid Settlement Receivables (Non-major governmental funds)	-	1,574,494
Grant and Miscellaneous Deferred Revenue (Non-major proprietary funds)	754,528	-
Lease Receivable (Non-major Funds)	1,029,362	1,029,362
Developer pond maintenance funds	2,584,458	-
Changes in assumptions	2,424,442	-
Differences between expected and actual experience	1,607,201	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	888,932	-
Deferred gain on refunding (Water & Sewer)	1,911,785	-
Lease Receivable (Water & Sewer)	18,043	-
Deferred revenue and gain on refunding (Stormwater)	146,293	-
Total	<u>\$ 17,340,041</u>	<u>\$ 13,353,712</u>

5. 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 \$16,943,093 reported as landfill closure and postclosure care liability at June 30, 2025 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) and Area 3 (Phase 6). The Area 1 landfill unit is currently near capacity and a partial closure has been completed. The Area 2 and Area 3 landfill units are currently active. Current capacity used is 89.03%. 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 2025. 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, 2025, the City has accumulated \$16,943,093 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.

6. Commitments

Commitments for the purchase of goods and services and for the construction and acquisition of assets are as follows at June 30, 2025:

General Fund	\$ 6,189,729
Debt Service	1,549,589
Special Revenue	13,167
General Capital Projects	10,108,775
Proprietary Funds	<u>33,900,692</u>
	<u>\$ 51,761,952</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.14.

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 health, 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. 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 \$50 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 \$1,000,000. All other employees that have access to funds are bonded under a blanket bond for \$100,000.

8. Claims and Judgments

At June 30, 2025, 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.

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 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.

9. Reconciliation of Claims Liability

Changes in the City's worker's compensation claims and healthcare claims liabilities are included in accounts payable on the Statement of Net Position and the balances during fiscal years 2024 and 2025 are as follows. The City converted from commercial insurance to self-insurance in fiscal year 2025.

	Worker's		Total 2024-25	Total 2023-24
	Compensation	Healthcare		
Balance, July 1	\$ 1,502,583	\$ 557,434	\$ 2,060,017	\$ 1,674,036
Add: Incurred claims (including)				
IBNR's and changes in estimates	874,860	20,653,392	21,528,252	21,139,041
Deduct: Claims payments	(917,014)	(19,820,826)	(20,737,840)	(20,753,060)
Balance, June 30	\$ 1,460,429	\$ 1,390,000	\$ 2,850,429	\$ 2,060,017

10. Long-Term Obligations

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. There are limitations and restrictions contained in the various bond indentures.

a. Leases

The City has entered agreements to lease certain equipment and a bus station. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,574,922	\$ 106,495	\$ 29,821	\$ 2,558
2027	1,507,035	70,382	29,677	1,804
2028	1,440,241	35,838	28,567	1,042
2029	279,965	3,307	24,103	288
2030	20,999	489	-	-
2031	6,667	83	-	-
TOTAL	\$ 4,829,829	\$ 216,594	\$ 112,168	\$ 5,692

b. Installment Purchase Contracts

The City has entered direct placement installment purchase agreements to acquire certain equipment. These contracts are typically five or ten-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. The equipment (Fleet vehicles, public safety vehicles, real property, and public safety equipment) are pledged as collateral for the debt.

Future annual debt service payments on installment purchase contracts as of June 30, 2025 including interest of \$324,018 is as follows:

Year Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2026	1,943,322	130,539
2027	1,099,986	91,783
2028	1,009,636	62,075
2029	1,020,433	32,456
2030	331,606	7,165
TOTAL	\$ 5,404,983	\$ 324,018

c. General Obligation Indebtedness

General Obligation Bonds

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. In the event of a default, the City agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the City under the related agreements. Principal is payable annually in varying amounts through 2042. Principal and interest requirements will be provided by appropriation in the year in which they become due. At June 30, 2025, the City of High Point had \$24,000,000 authorized but unissued bonds and a legal debt margin of approximately \$1.057 million.

Serviced by the governmental funds:

\$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%	\$ 1,373,937
\$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%	2,745,000
\$16,956,919 Series 2016 Public Improvement bonds for transportation, recreation, library, and public buildings maturing serially on March 1 through 2029 with interest semiannually September 1 and March 1 at rates varying between 2.75% - 5.0%	5,619,017
\$6,600,000 Series 2018 Public Improvement bonds for public buildings maturing serially on March 1 through 2039 with interest semiannually September 1 and March 1 at rates varying between 3.0% - 4.0%	4,620,000
\$10,566,874 Series 2020 Refunding Public Improvement bond for streets and public buildings maturing serially on June 1 through 2030 with interest semiannually December 1 and June 1 at 1.7%	5,591,015
\$5,300,000 Series 2022A Public Improvement bond for parks and recreation maturing serially on March 1 through 2032 with interest semiannually September 1 and March 1 at 5%	3,710,000
\$26,000,000 Series 2022B Public Improvement bond for parks and recreation, transportation, and affordable housing maturing serially on March 1 through 2042 with interest semiannually September 1 and March 1 at 3.25% - 5.0%	22,895,000
\$4,598,550 Series 2022C Refunding Public Improvement bond for streets and sidewalks maturing serially on March 1 through 2032 with interest semiannually March 1 and September 1 at 1.96%	2,272,173
\$5,425,000 Series 2024 Public Improvement bond for streets and sidewalks with principal payments due annually March 1, 2025 to March 1, 2031 with interest semiannually September 1 and March 1 at 4.3%	<u>4,555,000</u>
Total serviced by governmental funds	<u>53,381,142</u>

Serviced by Enterprise Funds:

Water & Sewer Fund

\$1,624,747 Series 2022C Refunding bonds for water and sewer maturing serially on March 1 through 2032 with interest semiannually March 1 and September 1 at 1.96%	258,411
Total serviced by Water & Sewer Fund	<u>258,411</u>

Storm Water Fund

\$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%	191,063
\$3,413,081 Series 2016 Refunding bonds for storm water facilities maturing serially on March 1 through 2029 with interest semiannually September 1 and March 1 at rates varying between 2.25% - 5.0%	1,130,991
\$2,591,126 Series 2020 Refunding bonds for storm water facilities maturing serially on June 1 through 2030 with interest semiannually December 1 and June 1 at 1.7%	1,370,985
\$857,703 Series 2022C Refunding bonds for storm water facilities maturing serially on March 1 through 2032 with interest semiannually March 1 and September 1 at 1.96%	<u>136,415</u>
Total serviced by Storm Water Fund	<u>2,829,454</u>
Premium on general obligation bonds	<u>2,331,462</u>
Total general obligation bonds, net of discounts	<u>\$ 58,800,469</u>

Annual Debt Service Requirements:

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

Year Ending	Governmental Activities - Bonds		Business-Type Activities Bonds			
	General Obligation		Water and Sewer		Storm Water	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2026	\$ 7,026,178	\$ 1,918,782	\$ 258,412	\$ 5,065	\$ 816,411	\$ 68,176
2027	6,686,422	1,663,928	-	-	674,578	44,856
2028	6,086,434	1,438,060	-	-	596,566	28,744
2029	5,231,036	1,226,855	-	-	429,971	14,344
2030	4,623,072	1,046,053	-	-	311,928	5,303
2031-2035	11,453,000	3,410,065	-	-	-	-
2036-2040	9,145,000	1,461,141	-	-	-	-
2041-2042	<u>3,130,000</u>	<u>164,325</u>	-	-	-	-
Total	<u>\$ 53,381,142</u>	<u>\$ 12,329,209</u>	<u>\$ 258,412</u>	<u>\$ 5,065</u>	<u>\$ 2,829,454</u>	<u>\$ 161,423</u>

d. Limited Obligation Bonds:

The City's limited obligation bonds serviced by the governmental funds were issued for a multi-use facility stadium, including subsequent stadium improvements, and Police Department Headquarters and

Communication Center. Both properties serve as collateral for the bonds. Principal is payable annually in varying amounts through 2040. Principal and interest requirements will be provided by appropriation in the year in which they become due.

Serviced by the governmental funds:

\$35,000,000 Series 2018 Limited Obligation bonds for Stadium Facility on February 1, 2018 through 2039 with interest semiannually October 1 and April 1 at rates varying between 2.31% - 3.78%	\$ 25,795,000
\$18,175,000 Series 2020 Limited Obligation bonds for Police Department Headquarters and Communication Center with principal payments due annually May 1, 2022 to May 1, 2040 with interest semiannually October 1 and April 1 at 2.15%	14,347,000
\$6,800,000 Series 2025 Limited Obligation bonds for Stadium Improvements with principal payments due annually April 1, 2026 to April 1, 2040 with interest semiannually October 1 and April 1 at 5.53%	<u>6,800,000</u>
Total serviced by governmental funds	<u><u>\$ 46,942,000</u></u>

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

Annual Debt Service Requirements:

Year Ending		
June 30,	Principal	Interest
2026	\$ 3,021,000	\$ 1,577,170
2027	3,051,000	1,488,812
2028	3,086,000	1,389,418
2029	3,111,000	1,287,368
2030	3,141,000	1,182,683
2031-2035	16,302,000	4,248,159
2036-2040	15,230,000	1,312,026
Total	<u><u>\$ 46,942,000</u></u>	<u><u>\$ 12,485,636</u></u>

e. Revenue Bonds

Serviced by Enterprise Funds:

Water & Sewer Fund

\$50,575,000 Series 2016 Enterprise System Revenue Refunding Bonds for water and sewer maturing serially beginning November 1, 2017 through 2033 and term bonds maturing on November 1, 2037. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.00% - 5.00%	32,075,000
\$47,610,000 Series 2019 Enterprise System Revenue Bonds for water and sewer maturing serially beginning November 1, 2020 through 2040 and term bonds maturing on November 1, 2043. The bonds pay interest semiannually November 1 and May 1 at rates varying 3.00% - 5.00%	40,420,000
\$34,755,000 Series 2022 Enterprise System Revenue Bonds for water and sewer maturing serially beginning November 1, 2023 through 2042 and term bonds maturing on November 1, 2046. The bonds pay interest semiannually November 1 and May 1 at rates varying 4.00% - 5.00%	33,140,000
\$20,386,000 Series 2022B Enterprise System Revenue Refunding Bonds for water and sewer maturing serially beginning November 1, 2022 through 2031. The bonds pay interest semiannually November 1 and May 1 at rates varying 1.59%.	15,863,000
\$29,906,000 Series 2024 Enterprise System Revenue Refunding Bonds for water and sewer maturing serially beginning November 1, 2024 through 2039. The bonds pay interest semiannually November 1 and May 1 at rates varying 2.32%	29,906,000
\$36,985,000 Series 2025 Enterprise System Revenue Bonds for water and sewer maturing serially beginning November 1, 2027 through 2047 and term bonds maturing on November 1, 2050. The bonds pay interest semiannually November 1 and May 1 at rates varying 4.125% - 5.00%	<u>36,985,000</u>
Total serviced by Water & Sewer Fund	188,389,000
Premiums on revenue bonds	9,585,755
Total revenue bonds, net of premiums	<u><u>\$ 197,974,755</u></u>

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 2051. 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	Business - Type	
	Water and Sewer	
June 30,	Principal	Interest
2026	\$ 9,816,000	\$ 6,864,190
2027	10,971,000	6,702,748
2028	11,401,000	6,265,935
2029	11,848,000	5,809,253
2030	12,294,000	5,352,352
2031-2035	52,712,000	20,145,422
2036-2040	35,542,000	12,416,584
2041-2045	25,990,000	6,754,244
2046-2050	15,305,000	2,215,375
2051	<u>2,510,000</u>	<u>62,750</u>
Total	<u>\$ 188,389,000</u>	<u>\$ 72,588,853</u>

The City believes it is 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 2019, 2022, and 2025 and Enterprise System Refunding Revenue Bonds Series 2016, 2021A, 2021B, and 2024 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, 2025 is as follows:

Prior Year Unrestricted Net Position	\$ 41,168,384
Operating revenue	69,455,883
Operating expenses, excluding depreciation, accrued stipends, pension, and OPEB	42,155,741
Income available for debt service	27,300,142
Parity debt service requirement	15,140,618
Total debt service requirement	15,527,468
Coverage on parity debt including 15% prior year unrestricted net position	221%
Coverage on total debt excluding 15% prior year unrestricted net position	176%

f. State and Federal Revolving and Bond Loans

Serviced by Enterprise Funds:

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, 2025, \$1,307,509 had been drawn-down and principal forgiveness of

\$653,753 granted. In addition, principal payments of \$490,709 have been made, leaving an outstanding balance of \$163,046. The loan is secured by a pledge of revenues.

Annual Debt Service Requirements:

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

Business Activities - Loans and Notes Payable			
Water and Sewer			
Federal Revolving Loans			
Year Ending June 30,	Principal		Interest
2026	\$	32,609	\$ -
2027		32,609	-
2028		32,609	-
2029		32,609	-
2030		32,611	-
Total	\$	163,047	\$ -

g. HUD Section 108 Federal Loans

The City executed preliminary promissory notes in the amount of \$1,350,000 and \$2,000,000 during 2016, and \$694,000 during 2018. The promissory notes are with the US Department of Housing and Urban Development (HUD) for redevelopment projects authorized under the CDBG Section 108 loan program. The City has related developer notes receivable in these amounts as the principal component is deferred. The City's notes payable is secured by the property as well as future CDBG appropriations. In March 2019, the amortization schedules for both notes were finalized by HUD.

The City has executed a preliminary promissory note with the U.S. Department of Housing and Urban Development (HUD) for a redevelopment project authorized under the CDBG Section 108 Loan Program. The City's note payable is secured by the property as well as future CDBG appropriations. The amortization details for this note have not been finalized. The City is currently making principal and interest payments to HUD according to HUD's interim financing program. As of June 30, 2025, the outstanding principal amount due to HUD is \$521,000, with a current principal portion of 22,000.

Annual Debt Service Requirements:

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

Governmental Activities - Loans and Notes Payable			
Section 108 HUD Loans			
Year Ending June 30,	Principal		Interest
2026	84,000		101,161
2027	81,000		98,853
2028	79,000		96,561
2029	78,000		94,263
2030	77,000		91,873
2031-2034	300,000		342,785
2035-2038	2,308,000		141,575
Total	\$	3,007,000	\$ 967,071

h. Component Unit Loan Payable

In November 2023, Forward High Point, Inc. refinanced a loan and entered a loan agreement with the City of High Point. Collateral is the Deed of Trust of 704,748, 720 and 788 North Main Street, High Point NC and their related assigned rents. The carrying value of assets used as collateral at June 30, 2022 was \$833,055 and is included in property held for resale. The interest rate is 0%. Principal will be payable in a single installment payment on November 14, 2028. The outstanding balance was \$1,725,000 at June 30, 2025.

i. Subscriptions

The City reports Subscription-Based Information Technology Arrangements (Subscriptions) in accordance with GASB Statement No. 96. The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions.

Due to terminations and modifications in subscriptions, the subscriptions liability decreased by \$298,510.

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,358,311	\$ 109,404	\$ 390,560	\$ 18,370
2027	1,322,296	75,488	236,780	10,221
2028	675,847	39,922	122,672	3,656
2029	644,071	19,587	-	-
TOTAL	\$ 4,000,525	\$ 244,401	\$ 750,012	\$ 32,247

j. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds.....	\$ 60,511,940	\$ -	\$ 7,130,798	\$ 53,381,142	\$ 7,026,178
Premium on general obligation bonds.....	2,331,460	-	167,288	2,164,172	167,288
Limited obligation bonds.....	42,689,000	6,800,000	2,547,000	46,942,000	3,021,000
Notes and loans payable.....	3,638,000	-	110,000	3,528,000	106,000
Direct placement installment purchase agreements	5,934,700	1,550,000	2,079,717	5,404,983	1,943,322
Lease liabilities.....	6,078,592	237,794	1,486,557	4,829,829	1,574,922
IT subscription agreements.....	1,246,268	5,070,020	2,315,763	4,000,525	1,358,311
Total outstanding debt.....	<u>122,429,960</u>	<u>13,657,814</u>	<u>15,837,123</u>	<u>120,250,651</u>	<u>15,197,021</u>
Other liabilities:					
Compensated absences.....	14,818,126	649,385	-	15,467,511	4,114,210
Total OPEB liability.....	9,581,520	695,371	-	10,276,891	480,872
Net pension liability (LGERS).....	48,925,913	-	583,251	48,342,662	-
Total pension liability (LEO).....	<u>17,620,729</u>	<u>-</u>	<u>906,116</u>	<u>16,714,613</u>	<u>1,430,935</u>
Total other liabilities:.....	<u>90,946,288</u>	<u>1,344,756</u>	<u>1,489,367</u>	<u>90,801,677</u>	<u>6,026,017</u>
Governmental activities long-term liabilities.....	<u>\$ 213,376,248</u>	<u>\$ 15,002,570</u>	<u>\$ 17,326,490</u>	<u>\$ 211,052,328</u>	<u>\$ 21,223,038</u>
Business-type Activities:					
Bonds and notes payable					
Water and Sewer General Obligation Bonds.....	\$ 600,875	\$ -	\$ 342,464	\$ 258,411	\$ 258,411
Water and Sewer Revenue Bonds.....	160,819,000	36,985,000	9,415,000	188,389,000	9,816,000
Premium on Water and Sewer Revenue Bonds.....	7,925,590	2,066,859	406,694	9,585,755	489,368
Total Water and Sewer Revenue Bonds.....	<u>168,744,590</u>	<u>39,051,859</u>	<u>9,821,694</u>	<u>197,974,755</u>	<u>10,305,368</u>
Storm Water General Obligation Bonds.....	3,689,192	-	859,738	2,829,454	816,411
Notes and loans payable.....	195,656	-	32,609	163,047	32,609
Water and Sewer lease and subscription liabilities	88,387	98,605	24,867	162,125	114,609
Electric lease and subscription liabilities.....	301,758	185,263	138,004	349,017	135,795
Transit lease and subscription liabilities.....	374,812	45,689	129,054	291,447	139,341
Solid Waste lease and subscription liabilities.....	77,187	66,260	90,768	52,679	23,722
Storm Water lease and subscription agreements...	-	6,912	-	6,912	6,912
Total outstanding debt.....	<u>174,072,457</u>	<u>39,454,588</u>	<u>11,439,198</u>	<u>202,087,847</u>	<u>11,833,178</u>
Other liabilities					
Landfill closure and post-closure.....	15,854,636	1,088,457	-	16,943,093	-
Total OPEB liability.....	4,316,827	296,009	-	4,612,836	215,841
Net pension liability (LGERS).....	18,095,886	-	701,992	17,393,894	-
Compensated absences.....	4,991,915	307,890	-	5,299,805	1,518,345
Total other liabilities.....	<u>43,259,264</u>	<u>1,692,356</u>	<u>701,992</u>	<u>44,249,628</u>	<u>1,734,186</u>
Business-type activities long-term liabilities.....	<u>\$ 217,331,721</u>	<u>\$ 41,146,944</u>	<u>\$ 12,141,190</u>	<u>\$ 246,337,475</u>	<u>\$ 13,567,364</u>

Other liabilities, including compensated absences, retirement stipends, OPEB, and pension obligations for governmental activities have typically been liquidated in the General Fund, Special Revenue Fund, and Internal Service Fund as appropriate.

Note 3. Interfund Balances and Activity

A schedule of interfund transfers for the year ended June 30, 2025 is as follows:

Transfers to	Transfers from				
	General	Water and Sewer	Electric	Non-major Enterprise	Total
General Fund.....	\$ -	\$ -	\$ 1,386,578	\$ -	\$ 1,386,578
General Capital Projects Fund.....	4,702,098	375,000	600,000	150,000	5,827,098
Non-major governmental funds.....	6,777,135	50,000	950,000	-	7,777,135
Internal Service Fund.....	765,354	20,000	226,754	-	1,012,108
Non-major enterprise funds.....	2,265,785	-	-	-	2,265,785
Total.....	<u>\$ 14,510,372</u>	<u>\$ 445,000</u>	<u>\$ 3,163,332</u>	<u>\$ 150,000</u>	<u>\$ 18,268,704</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.

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.

The City Council authorized internal borrowings as part of its Downtown Catalyst Economic Development Project in April 2017. The funds were used in combination with other funding sources to provide for the purchases of property for the Downtown Multi-Use Stadium and related properties for redevelopment. In lieu of external financing options, the General Capital Projects Fund borrowed \$2,000,000 from the Electric Fund, \$5,000,000 from the Landfill Closure/Post-closure Fund, and \$1,000,000 from the Internal Service Fund in June 2017. In the formal action of resolution, the City Council and management is to repay the transfer semi-annually on a twenty-year amortized schedule at an interest rate of 1.00% which approximated the City’s blended internal rate of return for investments at that time. The repayment schedule provides for the return of funds first to the Internal Service Fund, then to the Electric Fund, and then to the Solid Waste Fund. The interfund loan between the Internal Service Fund and the General Capital Projects Fund is eliminated in the government-wide statement presentation.

In June 2023, the City Council authorized an internal borrowing for the City Lake Project from the Landfill Development and Post-Closure Fund in the amount of \$8,352,748 to be repaid over 15 years with an annual interest rate of 1.00%.

The interfund transactions are presented as long-term interfund receivables for the enterprise funds and as a long-term interfund payable in the governmental fund statements.

Interfund Balances Payable	Interfund Balances Receivable		
	Electric	Non-major Enterprise	Total
General Capital Projects Fund.....	\$ 600,000	\$ 12,314,748	\$ 12,914,748
Component Unit - Blended with Community Development Fund.....	1,725,000	-	\$ 1,725,000
	<u>\$ 2,325,000</u>	<u>\$ 12,314,748</u>	<u>\$ 14,639,748</u>

The repayment plan related to the Downtown Catalyst Economic Development Project is below. The current principal balance is \$5,600,000.

Fiscal Year	Electric	Landfill Reserve	Total
2026	443,323	-	443,323
2027	221,658	221,665	443,323
2028	-	443,323	443,323
2029	-	443,323	443,323
2030	-	443,323	443,323
2031	-	443,323	443,323
2032	-	443,323	443,323
2033	-	443,323	443,323
2034	-	443,323	443,323
2035	-	443,323	443,323
2036	-	443,323	443,323
2037	-	443,323	443,323
2038	-	443,323	443,323
2039	-	443,323	443,323
	<u>\$ 664,981</u>	<u>\$ 5,541,541</u>	<u>\$ 6,206,522</u>

The repayment plan related to the City Lake Park Renovation Project is below. The current principal balance is \$7,314,748.

Fiscal Year	Landfill Reserve
2026	600,000
2027	600,000
2028	600,000
2029	600,000
2030	600,000
2031	600,000
2032	600,000
2033	600,000
2034	600,000
2035	600,000
2036	600,000
2037	600,000
2038	639,076
	<u>\$ 7,839,076</u>

Note 4. Joint Ventures

A. The North Carolina Municipal Power Agency Number 1 (Power 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 Power Agency, to finance, construct, own, operate, and maintain electric generation and transmission facilities. The Power Agency has nineteen members (participants), which receive power from the Power Agency. The Power Agency has entered a Project Power Sales Agreement and a Supplemental Power Sales Agreement with each participant. These agreements provide for each participant to purchase from the Power 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 Power 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 Power Agency under the Project Power Sales Agreement dated July 1, 1983.

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

Summary financial information for the Agency for the year ended December 31, 2024 is presented below (in thousands of dollars):

	<u>Total</u>
Current and other assets.....	\$ 1,128,256
Capital assets.....	1,244,181
Deferred outflow of resources.....	<u>15,244</u>
Total assets and deferred outflows of resources.....	<u>2,387,681</u>
Current liabilities.....	116,786
Long-term debt and other non-current liabilities.....	1,017,131
Deferred inflows of resources.....	<u>1,074,065</u>
Total liabilities and deferred inflow of resources.....	<u>2,207,982</u>
Total net position.....	<u>\$ 179,699</u>
Total revenues.....	\$ 548,929
Total expenses.....	<u>658,338</u>
Net increase (decrease) in net position.....	<u>\$ (109,409)</u>

As of December 31, 2024, the Agency had outstanding \$470,845,000 of bonds.

The following is a summary of debt service requirements for bonds outstanding at December 31, 2024 (in thousands of dollars):

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	61,105	23,969	85,074
2026	64,100	20,967	85,067
2027	67,255	17,813	85,068
2028	70,575	14,498	85,073
2029 to 2031	207,810	22,435	230,245
	<u>\$ 470,845</u>	<u>\$ 99,682</u>	<u>\$ 570,527</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, 2025 totaled \$70,075,721. 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 (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 Water Authority has also completed the construction for a water treatment plant and a raw water pump station, transmission lines, and a finished water pump station. 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 Water Authority and the water purchases under a water sales agreement. The City paid \$359,654 for member dues and \$1,048,572 for water purchases during the fiscal year ended June 30, 2025. 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 Water 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 Water 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.
- C. 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, 2025, 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, 2025. 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 (the 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 prepaid membership fees of \$24,484 to the Council during the fiscal year ended June 30, 2025.
- 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 \$2,455,318 to the Bureau during the fiscal year ended June 30, 2025. 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 (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 Housing 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. 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.

B. Company Incentive Program

In August 2018, the City executed a commitment agreement with a company to provide reimbursements for documented construction costs if the company meets certain documented benchmarks for jobs creation and capital investment by December 31, 2027. The maximum remaining amount of reimbursements available to the company over the term of the program (between 2026 and 2028) is \$702,600.

Note 8. Subsequent Events

The City has evaluated subsequent events through February 12, 2026, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Note 9. Restatements

Changes in Accounting Principles For the year ended June 30, 2025, GASB Statement No. 101, Compensated Absences, was implemented. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This change restated and reduced beginning net position of governmental activities in the government-wide statements by \$9,185,684. This change restated and reduced beginning net position of the business-type activities and proprietary funds by \$3,039,191.

For the year ended June 30, 2025, GASB Statement No. 102, Certain Risk Disclosures, was implemented. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.

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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, 2025, 2024, and 2023.

City of High Point, North Carolina
General Fund
Balance Sheet
As of June 30, 2025, 2024, 2023

	2025	2024	2023
Assets			
Cash and investments	\$ 48,315,540	\$ 44,297,938	\$ 41,384,105
Receivables (net):			
Taxes	1,111,804	871,510	188,765
Accounts receivable and accrued revenue	15,933,144	14,212,663	10,942,933
Accrued interest	244,963	421,488	224,007
Due from other funds	-	497,647	2,065
Property held for sale	2,200,000	2,200,000	-
Due from component unit	338,474	644,535	420,970
Lease receivable	6,137,348	6,457,319	6,613,449
Preps	2,136,727	840,524	691,447
Restricted assets:			
Cash and investments	1,947,392	1,667,306	1,916,717
Total assets	\$ 78,365,392	\$ 72,110,930	\$ 62,384,458
Liabilities			
Accounts payable and accrued expenses	\$ 9,270,171	\$ 7,801,907	\$ 7,222,199
Contracts payable	64,336	-	149,831
Liabilities payable from restricted assets:			
Unearned revenue	16,366	-	13
Deposits and other liabilities	1,947,392	1,667,306	1,916,717
Total liabilities	11,298,265	9,469,213	9,288,760
Deferred inflows of resources			
Unavailable taxes	1,111,803	871,510	188,765
Leases	5,961,575	6,315,434	6,521,394
Deferred taxes and licenses	13,422	1,837	47,824
Unavailable grant receivables	402,529	276,957	193,110
Total deferred inflows of resources	7,489,329	7,465,738	6,951,093
Fund Balances			
Non Spendable:			
Prepaid items	2,136,727	840,524	691,447
Restricted:			
Stabilization by State Statute	22,310,748	20,464,556	16,567,106
Property held for resale	2,200,000	2,200,000	-
Transportation	881,431	788,426	788,426
Committed:			
Public safety	1,098,875	996,314	894,953
Economic development	264,405	855,011	935,312
Market development	-	-	1,998
Assigned:			
Subsequent year's expenditures	1,050,000	1,000,000	1,000,000
General government	20,000	20,000	20,000
Public safety	8,193	8,193	8,193
Culture & recreation	135,265	116,256	73,994
Public services and transportation	65,308	65,308	65,308
Unassigned	29,406,846	27,821,391	25,097,868
Total fund balances	59,577,798	55,175,979	46,144,605
Total liabilities, deferred inflows of resources, and fund balances	\$ 78,365,392	\$ 72,110,930	\$ 62,384,458

The notes to the 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 Years Ended June 30, 2025, 2024, 2023

	2025	2024	2023
Revenues			
Property taxes	\$ 84,957,605	\$ 78,843,471	\$ 76,446,376
Occupancy and other local taxes	263,681	3,412,153	3,309,152
Intergovernmental	49,644,589	51,915,404	46,830,277
Licenses and permits	4,248,674	6,523,722	6,581,775
Charges for services	6,442,346	6,590,775	5,610,656
Lease revenue	353,859	349,219	-
Interest (losses) on investments	3,693,918	3,952,062	1,098,773
Sale of capital assets	103,566	118,900	72,257
Interest on lease receivable	106,152	93,612	233,785
Miscellaneous	678,591	619,275	536,842
Total revenues	<u>150,492,981</u>	<u>152,418,593</u>	<u>140,719,893</u>
Expenditures			
General government	17,418,036	16,387,015	16,519,410
Public safety	70,505,140	69,052,226	47,470,887
Public services - transportation	10,518,211	11,605,200	10,581,618
Public services - environmental services	330,503	358,287	327,328
Community and economic development	7,155,234	10,107,288	9,871,900
Cultural and recreation	25,264,115	27,546,428	24,514,522
Debt service:			
Principal	3,645,855	3,550,991	2,883,011
Interest and other fees	215,835	160,285	152,084
Total expenditures	<u>135,052,929</u>	<u>138,767,720</u>	<u>112,320,760</u>
Excess of revenue over expenditures	<u>15,440,052</u>	<u>13,650,873</u>	<u>28,399,133</u>
Other financing sources (uses)			
Lease liabilities issued	99,117	5,254,425	309,208
IT subscription agreement	1,986,444	935,322	2,724,689
Transfers in:			
Enterprise funds	1,386,578	2,138,944	2,166,151
Special revenue funds	-	55,280	-
Transfers out:			
Capital projects funds	(4,702,098)	(3,597,898)	(15,304,636)
Debt service fund	(6,533,563)	(6,655,844)	(6,474,442)
Special revenue funds	(243,572)	(187,000)	(989,939)
Internal service funds	(765,354)	(238,073)	(205,000)
Enterprise funds	(2,265,785)	(2,324,655)	(3,174,063)
Total other financing uses	<u>(11,038,233)</u>	<u>(4,619,499)</u>	<u>(20,948,032)</u>
Net change in fund balances	<u>4,401,819</u>	<u>9,031,374</u>	<u>7,451,101</u>
Fund balance, beginning of year	<u>55,175,979</u>	<u>46,144,605</u>	<u>38,693,504</u>
Fund balance, end of year	<u>\$ 59,577,798</u>	<u>\$ 55,175,979</u>	<u>\$ 46,144,605</u>

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

City of High Point, North Carolina
Debt Service Fund
Balance Sheet
As of June 30, 2025, 2024, 2023

	2025	2024	2023
Assets			
Cash and investments	\$ 11,912,905	\$ 12,244,471	\$ 11,286,608
Receivables:			
Accounts and grants	557,518	272,307	110,782
Accrued interest	48,708	83,814	49,383
Lease receivable	1,167,741	1,546,477	1,920,076
Restricted Assets:			
Cash and investments	642,924	182,511	72,502
Total assets	\$ 14,329,796	\$ 14,329,580	\$ 13,439,351
Liabilities			
Accounts payable and accrued expenses	\$ -	\$ -	\$ 21
Liabilities payable from restricted assets:			
Accounts payable and accrued expenses	398,416	266,819	-
Total liabilities	398,416	266,819	21
Deferred inflows of resources			
Unavailable receivables	280,000	280,000	280,000
Leases	1,029,362	1,441,107	1,852,851
Total deferred inflows of resources	1,309,362	1,721,107	2,132,851
Fund Balances			
Restricted:			
Subsequent year's expenditures	944,529	668,178	206,921
Stabilization by State Statute	757,773	467,491	232,390
Debt service	10,919,716	11,205,985	-
Unassigned	-	-	10,867,168
Total fund balances	12,622,018	12,341,654	11,306,479
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,329,796	\$ 14,329,580	\$ 13,439,351

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

City of High Point, North Carolina
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2025, 2024, 2023

	2025	2024	2023
Revenues			
Property taxes	\$ 4,675,551	\$ 4,560,860	\$ 4,416,581
Lease revenue	411,745	411,745	411,745
Interests on investments	989,379	1,216,932	837,825
Miscellaneous	500,000	500,000	500,000
Interest on lease receivable	17,763	22,948	28,237
Total revenues	6,594,438	6,712,485	6,194,388
Expenditures			
General government	50,907	-	8,358
Debt service:			
Principal retirement	9,694,148	8,806,108	9,011,002
Interest	3,436,939	3,520,564	3,562,285
Fiscal charges	166,550	128,767	10,526
Total expenditures	13,348,544	12,455,439	12,592,171
Deficiency of revenues under expenditures	(6,754,106)	(5,742,954)	(6,397,783)
Other financing sources:			
Proceeds from issuance of installment purchases	200,000	-	-
Proceeds from general obligation refunding bonds	-	122,285	-
IT subscription agreement	50,907	-	8,358
Transfers in:			
General Fund	6,533,563	6,655,844	6,474,442
Special revenue funds	250,000	-	-
Total other financing sources	7,034,470	6,778,129	6,482,800
Net change in fund balances	280,364	1,035,175	85,017
Fund balance, beginning of year	12,341,654	11,306,479	11,221,462
Fund balance, end of year	\$ 12,622,018	\$ 12,341,654	\$ 11,306,479

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

The following budget statements have been compiled from the budget ordinance and related amendments of the City for the fiscal year ending June 30, 2026.

City of High Point, North Carolina
Compiled Budget - General Fund and Debt Service Fund
For the Fiscal Year Ending June 30, 2026
As of April 14, 2026

	General	Debt Service
Revenues:		
Property taxes	\$ 86,189,837	\$ 4,741,703
Occupancy and other local taxes	310,000	-
Intergovernmental	52,432,522	-
Licenses and permits	4,766,475	-
Charges for services	6,600,518	-
Lease revenue	-	-
Interest (losses) on investments	2,528,905	-
Miscellaneous	657,567	1,400,000
Total revenues	153,485,824	6,141,703
Expenditures:		
General government	34,894,245	-
Public safety	74,980,746	-
Public services	19,113,178	-
Community and economic development	8,667,912	-
Cultural and recreation	27,674,334	-
Indirect Cost Allocation	(17,013,577)	-
Debt service:		
Principal	2,170,444	10,047,178
Interest	63,222	3,669,122
Total expenditures	150,550,504	13,716,300
Excess (deficiency) of revenue over (under) expenditures	2,935,320	(7,574,597)
Other Financing Sources (Uses)		
Transfers in		
General fund	-	6,366,900
Special revenue funds	-	250,000
Transfers out:		
General fund	(125,000)	-
Debt service fund	(6,366,900)	-
Special revenue funds	(747,671)	-
Internal service funds	(150,000)	-
Enterprise funds	(2,347,742)	-
Capital projects funds	(3,600,323)	-
Appropriated fund balance	10,402,316	957,697
Total other financing sources (uses)	(2,935,320)	7,574,597
Estimated revenues and other financing sources over appropriations and other sources	\$ -	\$ -

Compiled by the staff of the High Point Financial Services Department



APPENDIX E

May __, 2026

City of High Point, North Carolina
High Point, North Carolina

\$5,555,000
City of High Point, North Carolina
General Obligation Streets and Sidewalk Bonds
Series 2026A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of \$5,555,000 aggregate principal amount of City of High Point, North Carolina General Obligation Streets and Sidewalk Bonds, Series 2026A (the “*2026A Bonds*”).

The 2026A Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the resolution adopted by the City Council (the “*City Council*”) of the City of High Point, North Carolina (the “*City*”) on April 6, 2026 (the “*Bond Resolution*”) and the Pricing Certificate, as defined in the Bond Resolution, delivered on the date hereof as authorized by the Bond Resolution.

In connection with the issuance of the 2026A Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (i) the bond order authorizing the 2026A Bonds adopted by the City Council on April 6, 2026 and effective 30 days after its publication and during which no petition to a vote of the people was filed with the City Clerk under Section 159-60 of the General Statutes of North Carolina; and (ii) the Bond Resolution;
- b. A specimen 2026A Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2026A Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “*State*”), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.
2. The 2026A Bonds are legal, valid and binding general obligations of the City.
3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2026A Bonds, and the City is authorized to levy on all real property taxable by the City

such *ad valorem* taxes as may be necessary to pay the 2026A Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2026A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest on the 2026A Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026A Bonds in order that the interest on the 2026A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026A Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026A Bonds.

5. The interest on the 2026A Bonds is exempt from State of North Carolina income taxation.

The rights of the owners of the 2026A Bonds and the enforceability of the 2026A Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors’ rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as bond counsel in connection with the issuance of the 2026A Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026A Bonds and the tax status of the interest on the 2026A Bonds.

We express no opinion herein as to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement, or any other offering material relating to the 2026A Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the City, or the ability of the City to make the payments required on the 2026A Bonds that may have been relied upon by anyone in making the decision to purchase 2026A Bonds.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records and certifications, documents, opinions and other proceedings.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully Submitted,

PARKER POE ADAMS & BERNSTEIN LLP



May __, 2026

City of High Point, North Carolina
High Point, North Carolina

\$12,000,000
City of High Point, North Carolina
General Obligation Parks and Recreation Bonds
Series 2026B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of \$12,000,000 aggregate principal amount of City of High Point, North Carolina General Obligation Parks and Recreation Bonds, Series 2026B (the “2026B Bonds”).

The 2026B Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times, all as provided in the resolution adopted by the City Council (the “City Council”) of the City of High Point, North Carolina (the “City”) on April 6, 2026 (the “Bond Resolution”) and the Pricing Certificate, as defined in the Bond Resolution, delivered on the date hereof as authorized by the Bond Resolution.

In connection with the issuance of the 2026B Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (i) the bond order authorizing the 2026B Bonds adopted by the City Council on August 19, 2019 and approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 5, 2019; and (ii) the Bond Resolution;
- b. A specimen 2026B Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The 2026B Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “State”), including The Local Government Bond Act, Sections 159-43 *et seq.*, of the General Statutes of North Carolina.
2. The 2026B Bonds are legal, valid and binding general obligations of the City.
3. The City has pledged its faith and credit for the payment of the principal of and the interest on the 2026B Bonds, and the City is authorized to levy on all real property taxable by the City

such *ad valorem* taxes as may be necessary to pay the 2026B Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the 2026B Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest on the 2026B Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026B Bonds in order that the interest on the 2026B Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026B Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026B Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026B Bonds.

5. The interest on the 2026B Bonds is exempt from State of North Carolina income taxation.

The rights of the owners of the 2026B Bonds and the enforceability of the 2026B Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors’ rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as bond counsel in connection with the issuance of the 2026B Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026B Bonds and the tax status of the interest on the 2026B Bonds.

We express no opinion herein as to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement, or any other offering material relating to the 2026B Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the City, or the ability of the City to make the payments required on the 2026B Bonds that may have been relied upon by anyone in making the decision to purchase 2026B Bonds.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records and certifications, documents, opinions and other proceedings.

The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully Submitted,

PARKER POE ADAMS & BERNSTEIN LLP

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 (the “DTC”), a New York corporation, 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 are based on information furnished by DTC.

DTC will act as a 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 (the “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 (the “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 (the “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 detailed 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 a 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 the 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.