

*In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the Town with certain requirements of the Internal Revenue Code of 1986, as amended, the portion of the Installment Payments designated and paid as interest with respect to the 2024 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, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds 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 for tax years beginning after December 31, 2022, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina taxation. See "TAX TREATMENT" herein.*

**\$27,410,000**

**Limited Obligation Bonds (Town of Huntersville, North Carolina)  
Series 2024**

**Evidencing Proportionate Undivided Interests in Rights to Receive Certain  
Revenues Pursuant to an Installment Financing Contract Between  
Huntersville Public Facilities Corporation and the  
TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**Dated: Date of Delivery**

**Due: As shown on inside cover**

This Official Statement has been prepared by the Town of Huntersville, North Carolina (the "Town") to provide information on the Limited Obligation Bonds (Town of Huntersville, North Carolina), Series 2024 (the "2024 Bonds"). Selected information is presented on this cover page for the convenience of the user. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto under "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Definitions."

***Security:***

**The 2024 Bonds evidence proportionate undivided interests in rights to receive certain Revenues (as defined herein) pursuant to an Installment Financing Contract dated as of March 1, 2024 (the "Contract") between Huntersville Public Facilities Corporation (the "Corporation") and the Town. The performance by the Town of its obligations under the Contract, including the obligation to make Installment Payments (as defined herein) thereunder, is secured by the Deed of Trust, Security Agreement and Fixture Filing (the "Deed of Trust") from the Town to the deed of trust trustee named therein granting a lien of record on the Mortgaged Property (as defined herein), subject to certain permitted encumbrances as described in the Deed of Trust. The Corporation has assigned to the Trustee (as defined herein) for the benefit of the registered owners of the 2024 Bonds substantially all of its rights under the Contract, including the right to receive Installment Payments, and all of its rights as beneficiary of the Deed of Trust.**

**THE PRINCIPAL OF, PREPAYMENT PREMIUM, IF ANY, AND INTEREST ON THE 2024 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE TOWN UNDER THE CONTRACT, AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS UNDER THE INDENTURE (AS DEFINED HEREIN) AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS DERIVED FROM THE EXERCISE OF CERTAIN RIGHTS AND REMEDIES GRANTED UNDER THE CONTRACT, INCLUDING THE FORECLOSURE AND SALE OF THE MORTGAGED PROPERTY PURSUANT TO THE DEED OF TRUST. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE TOWN IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE TO THE OWNERS OF THE 2024 BONDS. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS" herein.**

***Prepayment:***

The 2024 Bonds are subject to optional prepayment before maturity as described herein.

***Executed and  
Delivered***

***Pursuant to:***

The 2024 Bonds will be executed and delivered pursuant to the Indenture.

***Purpose:***

Proceeds of the 2024 Bonds will be used (a) to pay the capital costs of all or a portion of (1) the construction, equipping and furnishing of a new Town Hall, and (2) renovations and improvements to the Town's existing Town Hall, and (b) to pay the costs related to the execution and delivery of the 2024 Bonds.

***Interest Payment***

***Dates:***

Interest with respect to the 2024 Bonds is payable on June 1 and December 1 of each year, beginning December 1, 2024.

***Denomination:***

\$5,000 and any integral multiple thereof.

***Closing/Delivery***

***Date:***

On or about March 21, 2024.

***Registration:***

Full book-entry only; The Depository Trust Company.

***Trustee:***

U.S. Bank Trust Company, National Association.

***Financial Advisor:***

Davenport & Company LLC

***Bond Counsel and***

***Corporation Counsel:*** Parker Poe Adams & Bernstein LLP.

***Town Attorney:***

Emily Sloop, Esq.

***Underwriter's***

***Counsel:***

Pope Flynn, LLC.

**BAIRD**

## MATURITY SCHEDULE

**\$27,410,000**

**Limited Obligation Bonds (Town of Huntersville, North Carolina)  
Series 2024**

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP<sup>†</sup></u>
2025	\$1,375,000	5.000%	2.920%	102.419	445803AU3
2026	1,370,000	5.000	2.710	104.842	445803AV1
2027	1,370,000	5.000	2.540	107.498	445803AW9
2028	1,370,000	5.000	2.510	109.850	445803AX7
2029	1,375,000	3.000	2.510	102.370	445803AY5
2030	1,370,000	5.000	2.500	114.260	445803AZ2
2031	1,370,000	5.000	2.530	116.150	445803BA6
2032	1,370,000	5.000	2.540	118.091	445803BB4
2033	1,370,000	5.000	2.560	119.873	445803BC2
2034	1,370,000	5.000	2.560	121.767	445803BD0
2035	1,370,000	5.000	2.690 <sup>C</sup>	120.472	445803BE8
2036	1,370,000	5.000	2.770 <sup>C</sup>	119.683	445803BF5
2037	1,370,000	5.000	2.890 <sup>C</sup>	118.512	445803BG3
2038	1,370,000	5.000	2.960 <sup>C</sup>	117.834	445803BH1
2039	1,370,000	5.000	3.040 <sup>C</sup>	117.066	445803BJ7
2040	1,370,000	4.000	3.480 <sup>C</sup>	104.426	445803BK4
2041	1,370,000	4.000	3.580 <sup>C</sup>	103.556	445803BL2
2042	1,370,000	4.000	3.680 <sup>C</sup>	102.695	445803BM0
2043	1,370,000	4.000	3.770 <sup>C</sup>	101.927	445803BN8
2044	1,370,000	4.000	3.860 <sup>C</sup>	101.166	445803BP3

<sup>C</sup> Yield to call date of June 1, 2034 at par.

<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright©2024 CUSIP Global Services. All rights reserved. The CUSIP data herein is provided solely for the convenience of reference only, and none of the Town, the Corporation or the Underwriter makes any representation as to the correctness of the CUSIP numbers either as printed on the 2024 Bonds or as contained herein.

IN CONNECTION WITH THIS OFFERING, ROBERT W. BAIRD & CO. INCORPORATED (THE “UNDERWRITER”) MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

The electronic distribution of this Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2024 Bonds described herein to the residents of any particular state and is not specifically directed to the residents of any particular state. The 2024 Bonds will not be offered or sold in any state unless and until they are either registered pursuant to the laws of such state, or qualified pursuant to an appropriate exemption from registration in such state.

NEITHER THE 2024 BONDS NOR THE INDENTURE HAVE BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2024 BONDS OR THE INDENTURE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE 2024 BONDS HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE OF THE 2024 BONDS SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TOWN SINCE THE DATE HEREOF.

The information set forth herein has been obtained from sources which are believed to be reliable and is in a form deemed final by the Town for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)). 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.

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

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

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**\$27,410,000**  
**Limited Obligation Bonds (Town of Huntersville, North Carolina)**  
**Series 2024**  
**Evidencing Proportionate Undivided Interests in Rights to Receive Certain**  
**Revenues Pursuant to an Installment Financing Contract Between**  
**Huntersville Public Facilities Corporation and the**  
**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**INTRODUCTION**

The purpose of this Official Statement, which includes the appendices, is to provide certain information in connection with the execution, sale and delivery of the Limited Obligation Bonds (Town of Huntersville, North Carolina), Series 2024 (the “2024 Bonds”). The 2024 Bonds evidence proportionate undivided interests in rights to receive certain Revenues (as hereinafter described) which include the installment payments (the “Installment Payments”) to be made by the Town of Huntersville, North Carolina (the “Town”) pursuant to an Installment Financing Contract, dated as of March 1, 2024 (the “Contract”), between the Town and Huntersville Public Facilities Corporation (the “Corporation”), a North Carolina nonprofit corporation.

The 2024 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of March 1, 2024 (the “Indenture”), between the Corporation and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”). The Town is required under the Contract to make the Installment Payments in an amount sufficient to pay the principal and interest with respect to the Bonds (as defined herein), which includes the 2024 Bonds and any Additional Bonds hereafter executed and delivered pursuant to the Indenture, subject to its right of nonappropriation as described herein.

*Authorization.* The Town will enter into the Contract pursuant to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Contract is subject to the approval of, and has been approved by, the Local Government Commission of North Carolina (the “LGC”). See “THE LOCAL GOVERNMENT COMMISSION” herein.

*Purpose.* Proceeds of the 2024 Bonds will be used (a) to pay the capital costs of all or a portion of (1) the construction, equipping and furnishing of a new Town Hall (the “New Town Hall”), and (2) renovations and improvements to the Town’s existing Town Hall (the “Existing Town Hall” and together with the New Town Hall, the “Projects”), and (b) to pay the costs related to the execution and delivery of the 2024 Bonds.

*Security for 2024 Bonds.* To further secure the performance by the Town of its obligations under the Contract, including the payment of the Installment Payments thereunder, the Town will execute and deliver to the deed of trust trustee named therein (the “Deed of Trust Trustee”), for the benefit of the Corporation or its assignee, a Deed of Trust, Security Agreement and Fixture Filing, dated as of March 1, 2024 (the “Deed of Trust”), granting a first lien of record on the site of the New Town Hall, as more particularly described in Exhibit A to the Deed of Trust, and all buildings, structures, additions and improvements of every nature whatsoever now or hereafter situated thereon as more particularly described in the Deed of Trust (the “Mortgaged Property”), subject only to certain permitted encumbrances as described in the Deed of Trust. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS—Deed of Trust—*Release of Security*” herein. The Deed of Trust authorizes future obligations under the Contract evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed \$250,000,000. The 2024 Bonds will be secured by the Deed of Trust on parity with any Additional Bonds hereafter executed and delivered pursuant to the Indenture.

Under the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2024 Bonds and any Additional Bonds executed and delivered pursuant to the Indenture (collectively, the “Bonds”) (a) all rights, title and interest of the Corporation in the Contract (except for certain reserved rights), including its right to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property, and (c) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund) and any and all other personal property of every name and nature from time to time by delivery or by writing of any kind specially, pledged or hypothecated, as and for

additional security under the Indenture, by the Corporation, or by anyone on its behalf, in favor of the Trustee. Pursuant to the Contract, the Installment Payments are payable by the Town directly to the Trustee. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS” herein.

*Details of the 2024 Bonds.* The 2024 Bonds will be dated as of their date of initial execution and delivery, and will mature, subject to the prepayment provisions described herein, on June 1 in the years and amounts set forth on the inside front cover hereof. Interest with respect to the 2024 Bonds will be payable on each June 1 and December 1, beginning December 1, 2024, at the rates set forth on the inside front cover hereof. Individual purchases of the 2024 Bonds will be made in denominations of \$5,000 or whole multiples thereof.

*Book-Entry Form.* The 2024 Bonds will initially be delivered as fully registered certificates in book-entry only form without physical delivery of certificates to the beneficial owners of the 2024 Bonds. The Trustee will make payments of principal and interest with respect to the 2024 Bonds to The Depository Trust Company, Jersey City, New Jersey (“DTC”), which will in turn remit such payments to its participants for subsequent distribution to the beneficial owners of the 2024 Bonds. See Appendix E hereto.

*Continuing Disclosure.* Pursuant to the Contract, the Town will undertake to provide continuing disclosure of certain annual financial information and operating data and notice of certain events. See “CONTINUING DISCLOSURE” herein.

*Professionals.* Robert W. Baird & Co. (the “Underwriter”) is underwriting the 2024 Bonds. Davenport & Company LLC is serving as Financial Advisor to the Town. Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, is serving as Bond Counsel and counsel to the Corporation. Pope Flynn, LLC, Charlotte, North Carolina, is serving as counsel to the Underwriter. Emily Sloop, Esq., is the Town Attorney.

*Definitions; Document Summaries.* See Appendix C for a summary of certain provisions of the Contract, the Indenture and the Deed of Trust and for the definition of certain capitalized terms used herein. Unless otherwise indicated, capitalized terms used herein and not otherwise defined shall have the same meanings given such terms in the Contract or the Indenture, as applicable.

*Additional Information; Copies of Documents.* Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the Town at 101 Huntersville-Concord Road, Huntersville, North Carolina 28078. Copies of such documents can also be obtained during the offering period from the Underwriter at 380 Knollwood Street, Suite 440, Winston-Salem, North Carolina 27103. After the offering period, copies of such documents may be obtained from the Trustee at U.S. Bank Trust Company, National Association, 214 North Tryon Street, 27<sup>th</sup> Floor, Charlotte, North Carolina 28202, (704) 335-4655.

## **THE 2024 BONDS**

### **General**

The 2024 Bonds will be dated as of their date of initial execution and delivery, and will mature, subject to prior prepayment as described below, on June 1 in the years and amounts set forth on the inside front cover hereof. Interest with respect to the 2024 Bonds will be payable on each June 1 and December 1, beginning December 1, 2024, at the rates set forth on the inside front cover hereof, and will be paid by the Trustee by check mailed on the Interest Payment Date to each Owner as its name and address appear on the register kept by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date (the “Record Date”). At the written request of any Owner of at least \$1,000,000 in aggregate principal amount of the 2024 Bonds, principal and interest may be payable by wire transfer at the address specified in writing by the Owner by the Record Date. As long as Cede & Co. or another DTC nominee is the registered owner of the 2024 Bonds, the Trustee shall make all payments with respect to the 2024 Bonds by wire transfer in immediately available funds.

The 2024 Bonds will be delivered as fully registered certificates in book-entry only form and will be subject to the provisions of the book-entry only system described below. Individual purchases of the 2024 Bonds will be made only in denominations of \$5,000 or whole multiples thereof.



## **Book-Entry Only System**

See Appendix E herein for provisions regarding the Book-Entry Only System.

## **Prepayment Provisions**

*Optional Prepayment.* The 2024 Bonds maturing on or before June 1, 2034 are not subject to optional prepayment before their maturities. The 2024 Bonds maturing on or after June 1, 2035 are subject to optional prepayment in whole or in part on any date on or after June 1, 2034, at the option of the Town, at a prepayment price equal to 100% of the principal amount of the 2024 Bonds to be prepaid, together with accrued interest to the date fixed for prepayment.

*General Prepayment Provisions.* If called for optional prepayment in part, the 2024 Bonds to be prepaid will be prepaid in such order as the Town selects and within the same maturity as selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the 2024 Bonds is discontinued, by lot within a maturity in such manner as the Trustee in its discretion may determine; provided, however, that the 2024 Bonds or portions thereof will be prepaid only in whole multiples of \$5,000.

Notice of prepayment identifying the 2024 Bonds or portions thereof to be prepaid will be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment by Electronic Means or by first class mail, postage prepaid (or, in the case of notice to DTC, by registered or certified mail or otherwise in accordance with DTC's then-existing rules and procedures) (1) to DTC or its nominee or to the then-existing securities depositories, or (2) if DTC or its nominee or another securities depository is no longer the Owner of the 2024 Bonds, to the then-registered Owners of the 2024 Bonds to be prepaid at their addresses appearing on the registration books maintained by the Trustee, (3) to the LGC, and (4) to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Marketplace Access ("EMMA") system (or any successor thereto); provided however, that the Trustee shall have no liability to any party in connection with any failure to timely file any notice with the MSRB via its EMMA system (or any successor thereto) and the sole remedy for any such failure shall be an action by the Owners in mandamus for specific performance or similar remedy to compel performance. Notwithstanding the foregoing, (a) if notice is properly given, failure to receive an appropriate notice will not affect the validity of the proceedings for such prepayment, (b) failure to give any such notice or any defect therein will not affect the validity of the proceedings for prepayment of the 2024 Bonds or portions thereof with respect to which notice was correctly given, and (c) the failure to give any such notice to LGC or the MSRB, or any defect therein, shall not affect the validity of any proceedings for prepayment of the 2024 Bonds.

In the case of an optional prepayment of the 2024 Bonds, the prepayment notice may state (1) that it is conditioned upon the deposit of money with the Trustee on the prepayment date at the time and in an amount equal to the amount necessary to effect the prepayment and such notice will be of no effect unless such money is so deposited, and (2) that the Town retains the right to rescind the prepayment notice on or prior to the scheduled prepayment date, and such notice and optional prepayment shall be of no effect if such money is not so deposited or if the notice is rescinded as described in the Indenture.

On or before the date fixed for prepayment, funds will be deposited with the Trustee to pay the 2024 Bonds or portions thereof called for prepayment, together with accrued interest to the prepayment date and any required prepayment premium. Upon the giving of notice and the deposit of such funds for prepayment pursuant to the Indenture, interest with respect to the 2024 Bonds or portions thereof so called for prepayment will no longer accrue after the date fixed for prepayment.

The 2024 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest thereon to the prepayment date and any applicable prepayment premium. If the required notice of prepayment has been given and moneys sufficient to pay the prepayment price, together with accrued interest thereon to the prepayment date and any required prepayment premium, has been deposited with the Trustee, the 2024 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture, and the Owners of such 2024 Bonds will have no rights in respect of such 2024 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest and any applicable prepayment penalty to the prepayment date from such

funds held by the Trustee. Upon surrender and cancellation of any 2024 Bond called for optional prepayment in part only, a new 2024 Bond of the same maturity and interest rate and of authorized denominations, in an aggregate principal amount equal to the unprepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee.

If an Event of Default has occurred and is continuing under the Indenture, there will be no prepayment of less than all of the Bonds then Outstanding.

## **SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS**

The 2024 Bonds evidence proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract. "Revenues" is defined in the Contract to mean (i) all Net Proceeds not applied to the replacement of the Mortgaged Property, (ii) all Installment Payments, and (iii) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund). Notwithstanding the foregoing, the Owner of each 2024 Bond is not entitled to receive more than the amount of principal, premium, if any, and interest represented by such 2024 Bond.

### **Installment Payments and Additional Payments**

Under the Contract, the Town is required to make the Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise) and interest with respect to the 2024 Bonds and any Additional Bonds hereafter executed and delivered under the Indenture as the same become due and payable.

The Town is also obligated under the Contract to pay as Additional Payments, to such persons as are entitled thereto, the reasonable and customary expenses and fees (including, but not limited to, attorneys' fees, costs and expenses) of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the Town or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon in the event that the Town fails to pay the same).

### **Budget and Appropriation**

Pursuant to the Contract, the Town will (i) cause its budget officer (as statutorily defined) to include the Installment Payments and the reasonably estimated Additional Payments coming due in each Fiscal Year in the corresponding annual budget request, (ii) require that the deletion of such funds from the Town's final budget or any amended budget be made only pursuant to an express resolution of the Town Board of Commissioners which explains the reason for such action, and (iii) deliver notice to the Trustee and the LGC within five days after the adoption by the Town Board of Commissioners of a resolution described in clause (ii) above. Nothing contained in the Contract, however, obligates the Town to appropriate money contained in the proposed budget for the payment of the Installment Payments or the reasonably estimated Additional Payments coming due under the Contract.

**In connection with the Installment Payments and the Additional Payments, the appropriation of funds therefor is within the sole discretion of the Town Board of Commissioners.**

### **Deed of Trust**

*General.* The Town will execute the Deed of Trust conveying the Mortgaged Property to the Deed of Trust Trustee as security for its obligations under the Contract. The Mortgaged Property will consist of the site of the New Town Hall and all buildings, structures, additions and improvements of every nature whatsoever now or hereafter situated thereon. See "PLAN OF FINANCE" herein for more information regarding the Mortgaged Property. The Deed of Trust will be recorded in the office of the Register of Deeds of Mecklenburg County, North Carolina, and the lien created thereby will be insured by a title insurance policy in the amount of the par amount of the 2024 Bonds. Generally, a claim against a title insurance policy may only be made in the amount which is the lesser of the actual value of the real property and the amount of the title insurance policy.

*Release of Security.* So long as there is no event of default under the Deed of Trust, the Deed of Trust Trustee must release the Mortgaged Property or any part thereof secured thereby from the lien and security interest created by the Deed of Trust when and if the following requirements have been fulfilled:

(1) in connection with any release of the Mortgaged Property, or any part thereof, there is filed with the Corporation or its assignee a certified copy of the resolution of the Town Board of Commissioners stating the purpose for which the Town desires such release, giving an adequate legal description of the part of Mortgaged Property to be released, requesting such release and providing for payment by the Town of all expenses in connection with such release;

(2) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, either (a) the tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 50% of the aggregate principal component of the Installment Payments related to the Bonds then Outstanding under the Indenture, or (b) the Town (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation, or its assignee, an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of the interest on any Outstanding Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property;

(3) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, such release will not prohibit the Town's ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released; and

(4) in connection with the release of the entire Mortgaged Property, there is paid to the Trustee an amount sufficient to pay in full all of the Bonds then Outstanding under the Indenture.

## **Indenture**

Pursuant to the Indenture, the Corporation assigned to the Trustee for the benefit of the Owners of the Bonds, including the 2024 Bonds, (i) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (ii) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property, and (iii) all moneys and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund).

## **Enforceability**

The Indenture, the Deed of Trust and the Contract are subject to bankruptcy, insolvency, reorganization and other laws relating to or affecting the enforcement of creditors' rights and, to the extent that certain remedies under such instruments require or may require enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

NO PROVISION OF THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE TOWN WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF NORTH CAROLINA (THE "STATE"). NO PROVISION OF THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE TOWN WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE INDENTURE, THE CONTRACT AND THE DEED OF TRUST SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE TOWN TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE TOWN FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE TOWN TO APPROPRIATE FUNDS, WHICH RESULTS IN THE FAILURE BY THE

TOWN TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN ANY ACTION FOR ANY BREACH OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST, AND THE TAXING POWER OF THE TOWN IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST.

THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE BONDS, INCLUDING THE 2024 BONDS, UPON A DEFAULT BY THE TOWN UNDER THE CONTRACT ARE LIMITED TO THOSE SPECIFIED IN THE CONTRACT AND THE INDENTURE, INCLUDING EXERCISING THE RIGHTS OF THE BENEFICIARY UNDER THE DEED OF TRUST AND THE RIGHTS OF THE TRUSTEE IN THE FUNDS HELD UNDER THE INDENTURE.

The Bonds, including the 2024 Bonds, will not constitute a debt or general obligation of the Town or the Corporation and will not give the Owners of the Bonds, including the 2024 Bonds, any recourse to the assets of the Town or the Corporation, but will be payable solely from amounts payable by the Town under the Contract, from amounts realized on foreclosure on the Mortgaged Property pursuant to the Deed of Trust and from funds held in certain funds and accounts under the Indenture for such purpose.

SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA, AS AMENDED, PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20 AND THAT THE TAXING POWER OF THE TOWN IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE BY THE TOWN UNDER THE CONTRACT. See “THE CONTRACT – Remedies on Default” in Appendix C for a more complete description of the rights and powers of the Trustee upon the occurrence of an event of default under the Contract.

#### **Additional Bonds**

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, the Corporation may execute and deliver additional bonds or other obligations under the Indenture without the consent of the Owners of the Bonds then Outstanding under the Indenture, including the 2024 Bonds, to provide funds to pay (a) the cost of expanding the Projects or any projects financed or refinanced with the proceeds of Additional Bonds, acquiring, constructing, renovating, and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the Town for public purposes; (b) the cost of refunding of all or any portion of the Bonds, including the 2024 Bonds, then Outstanding under the Indenture or any other financing obligations of the Town; and (c) the costs of issuance relating to the execution, delivery and sale of the Additional Bonds. Neither the Indenture nor the Deed of Trust require that additional collateral be added to the Deed of Trust in connection with the issuance of Additional Bonds.

The 2024 Bonds are payable on a parity with any Additional Bonds hereafter executed and delivered pursuant to the Indenture. The Installment Payments and any Installment Payments with respect to Additional Bonds executed and delivered under the Indenture will be deposited as received by the Trustee in the Bond Fund held by the Trustee. Moneys in the Bond Fund will be withdrawn and used to pay the principal and interest with respect to the Bonds, including the 2024 Bonds, as the same become due and payable. If on any date the moneys on deposit in the Bond Fund are insufficient to pay all of the principal and interest with respect to the Bonds, including the 2024 Bonds, which are due and payable on such date, such moneys will be used to pay such principal and interest with respect to the Bonds, including the 2024 Bonds, entitled to receive principal or interest on such date in the manner provided in the Indenture. See “THE INDENTURE – Application of Money” in Appendix C.

#### **THE CORPORATION**

The Corporation was incorporated as a nonprofit corporation under the laws of the State on March 6, 2012. Its general purpose is to promote the general welfare of the citizens of the Town and to assist the government of the Town through the financing, acquisition, construction and lease of real estate and improvements, facilities and equipment for the use and benefit of the general public.

The Board of Directors of the Corporation consists of three directors, including the Town Manager, the Town Attorney and the Finance Director of the Town (the “Directors”), who serve as Directors ex officio their positions with the Town. If a Director ceases to serve as Town Manager, Town Attorney or Finance Director of the Town, as the case may be, then such director’s position on the Board of Directors of the Corporation shall be deemed vacant until filled by the person appointed to such office (whether on an interim or permanent basis), so that the Board of Directors of the Corporation is self-perpetuating. The following individuals are currently serving as the Directors of the Corporation:

<u>Name</u>	<u>Occupation</u>
Anthony Roberts	Town Manager
Emily Sloop	Town Attorney
Patricia McGinnis	Finance Director

The officers of the Corporation are as follows:

<u>Name</u>	<u>Office</u>
Anthony Roberts	President
Emily Sloop	Vice President
Patricia McGinnis	Vice President, Secretary and Treasurer
Janet Pierson	Assistant Secretary

The Directors and officers of the Corporation serve without compensation. The Corporation has no employees.

The Corporation’s role in the financing described in this Official Statement will be limited. The Corporation’s officers and counsel will have the opportunity to review this Official Statement and the principal financing documents and to assist in their preparation. The Corporation will execute and deliver the Contract and the Indenture, and will be the beneficiary under the Deed of Trust. Counsel to the Corporation will deliver certain legal opinions in connection with the financing. The Corporation and the Town expect, however, that the Corporation will have no continuing responsibilities or involvement with respect to the Projects or with respect to monitoring compliance with the terms of the Contract or the Indenture.

## **PLAN OF FINANCE**

A portion of the proceeds of the 2024 Bonds will be used to pay the capital costs of all or a portion of (1) the construction, equipping and furnishing of the New Town Hall, and (2) renovations and improvements to the Existing Town Hall for reuse as a community center.

The Mortgaged Property is comprised of the New Town Hall only, and no other components of the Projects are included in the Mortgaged Property. The New Town Hall will be a four story building of approximately 54,500 square feet.

## ESTIMATED SOURCES AND USES OF FUNDS

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

### Sources of Funds:

Principal Amount	\$27,410,000
Original Issue Premium	<u>3,075,300</u>
Total Sources	\$30,485,300

### Uses of Funds:

Deposit to Acquisition and Construction Fund	\$30,002,046
Costs of Issuance <sup>1</sup>	<u>483,254</u>
Total Uses	\$30,485,300

<sup>1</sup> Includes Underwriter's discount, legal fees, printing costs, rating agency fees, fees and expenses of the Financial Advisor and the Trustee, and miscellaneous fees and expenses.

## ANNUAL INSTALLMENT PAYMENT REQUIREMENTS

The following table sets forth, for each Fiscal Year ending June 30, the amount of principal and interest required to be paid under the Contract with respect to the 2024 Bonds.

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,375,000	\$ 1,522,319	\$ 2,897,319
2026	1,370,000	1,205,750	2,575,750
2027	1,370,000	1,137,250	2,507,250
2028	1,370,000	1,068,750	2,438,750
2029	1,375,000	1,000,250	2,375,250
2030	1,370,000	959,000	2,329,000
2031	1,370,000	890,500	2,260,500
2032	1,370,000	822,000	2,192,000
2033	1,370,000	753,500	2,123,500
2034	1,370,000	685,000	2,055,000
2035	1,370,000	616,500	1,986,500
2036	1,370,000	548,000	1,918,000
2037	1,370,000	479,500	1,849,500
2038	1,370,000	411,000	1,781,000
2039	1,370,000	342,500	1,712,500
2040	1,370,000	274,000	1,644,000
2041	1,370,000	219,200	1,589,200
2042	1,370,000	164,400	1,534,400
2043	1,370,000	109,600	1,479,600
2044	<u>1,370,000</u>	<u>54,800</u>	<u>1,424,800</u>
Total	\$27,410,000	\$13,263,819	\$40,673,819

## **AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS**

The Town may make Installment Payments under the Contract from any source of funds legally available to it in each year and appropriated therefor. The Town's General Fund revenues for Fiscal Year 2023 were \$60,773,044. The Town's budget for Fiscal Year 2024 projects General Fund revenues of \$70,695,704. General fund revenues are derived from various sources including property taxes, which generate approximately 42% of the general fund revenue, sales taxes, intergovernmental revenues, permits and fees, and sales and service revenues. For each of Fiscal Years 2021, 2022 and 2023, the Town imposed ad valorem taxes of \$0.24 per \$100 of assessed value. A rate of \$0.01 per \$100 of assessed value in Fiscal Year 2023 generated approximately \$1,090,950 and is expected to generate approximately \$1,478,694 in Fiscal Year 2024. The General Statutes of North Carolina permit counties to impose ad valorem taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of voter approval. See Appendix B hereto for a detailed description of the sources and uses of the Town's general fund revenues for Fiscal Year 2023.

## **CERTAIN RISKS OF BOND OWNERS**

### **Insufficiency of Installment Payments**

If Installment Payments by the Town are insufficient to pay the principal of or interest on the 2024 Bonds (or any other Bonds) as the same become due or if another event of default occurs under the Contract, the Trustee may accelerate the 2024 Bonds (or any other Bonds) and all unpaid principal amounts due by the Town under the Contract, direct the Deed of Trust Trustee to foreclose on the Mortgaged Property under the Deed of Trust, take possession of the Mortgaged Property and attempt to dispose of the Mortgaged Property. See "THE CONTRACT" in Appendix C hereto. Zoning restrictions and other land use factors relating to the Mortgaged Property may limit the use of the Mortgaged Property and may affect the proceeds obtained on any disposition by the Deed of Trust Trustee. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH DISPOSITION OF THE MORTGAGED PROPERTY WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2024 BONDS (OR ANY OTHER BONDS). SECTION 160A-20(F) OF THE GENERAL STATUTES OF NORTH CAROLINA, AS AMENDED, PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20, AND THE TAXING POWER OF THE TOWN IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS OWING BY THE TOWN UNDER THE CONTRACT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2024 BONDS (OR ANY OTHER BONDS) ON A DEFAULT BY THE TOWN UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE, INCLUDING FORECLOSING ON THE MORTGAGED PROPERTY UNDER THE DEED OF TRUST.

### **Risk of Nonappropriation**

The appropriation of moneys to make the Installment Payments is within the sole discretion of the Town Board of Commissioners. If the Town Board of Commissioners fails to appropriate such moneys, the only sources of payment for a series of the Bonds (including the 2024 Bonds) will be the moneys, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any attempted foreclosure on the Town's interest in the Mortgaged Property under the Deed of Trust.

### **Uninsured Casualty and Condemnation**

If all or any part of the Mortgaged Property is partially or totally damaged or destroyed by any casualty or taken by any governmental authority, the Town has the option under the Contract to apply any Net Proceeds from insurance or condemnation to repair, restore or rebuild the Mortgaged Property or to apply the related Net Proceeds to the prepayment of the Bonds, including the 2024 Bonds. If the Net Proceeds are not sufficient to repair, restore or rebuild the Mortgaged Property to its condition prior to such damage, destruction or taking or to pay the Bonds in full or if the Town elects only to make partial effort to repair, restore or rebuild the Mortgaged Property or to make a partial prepayment of the Bonds, the value of the Mortgaged Property may be impaired. The Contract requires that certain insurance be maintained with respect to the Mortgaged Property. Such insurance may not, however, cover all perils to which the Mortgaged Property is subject.

## **Outstanding General Obligation Debt of the Town**

As of June 30, 2023, the Town had outstanding general obligation bonds in the amount of \$28,268,000. In connection with the issuance of any general obligation bonds or notes, the Town pledges its faith and credit and taxing power to the payment of such general obligation bonds or notes. See the caption “THE TOWN—Debt Information” herein. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE TOWN UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE TOWN AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

## **Dilution of Collateral**

The execution and delivery of Additional Bonds is not premised on the concurrent addition of property to the Mortgaged Property under the Deed of Trust. In the event that Additional Bonds are executed and delivered, it is possible that Owners of the 2024 Bonds would be on a parity with Owners of the Additional Bonds, but that there would not be sufficient collateral in the event that the Town were to fail to make Installment Payments required under the Contract and the Trustee were then to institute foreclosure proceedings. See “SECURITY AND SOURCES OF PAYMENTS FOR THE 2024 BONDS—Additional Bonds” herein.

## **Environmental Hazards**

Environmental contamination of the Mortgaged Property, including undiscovered or future environmental contamination, could have a material adverse affect on the value of the Mortgaged Property; however, the Town is required under the Deed of Trust to undertake whatever environmental remediation may be required by law. A Phase I Environmental Site Assessment dated October 28, 2022 (the “Phase I”) was prepared for the Town by Professional Service Industries, Inc. with respect to the land on which the Projects will be located. The Phase I did not note any environmental concerns.

## **Bankruptcy**

Chapter 9 of Title 11 of the United States Code (as amended, the “Bankruptcy Code”) provides a process for a political subdivision of a state to voluntarily adjust its debts. An involuntary bankruptcy case may not be commenced against a political subdivision under Chapter 9. Section 109(c) of the Bankruptcy Code sets forth certain conditions that must be met for an entity to be a debtor under Chapter 9, including that the entity is specifically authorized to be a debtor under Chapter 9 by state law (or by a governmental officer or organization empowered by state law to authorize the entity to be a debtor under Chapter 9). Section 23-48 of the North Carolina General Statutes (the “NC Authorizing Statute”) authorizes any county or city in the State to file a Chapter 9 bankruptcy case, but only with the approval of the LGC. While the 2024 Bonds are outstanding, the provisions of the Bankruptcy Code and applicable North Carolina law, including the NC Authorizing Statute, may be amended, supplemented or repealed; therefore, it is not possible to predict whether and under what conditions the Town may be authorized to become a debtor in a bankruptcy case and how any such bankruptcy case might affect holders of the 2024 Bonds in the future.

If the Town were to initiate bankruptcy proceedings under Chapter 9 with the consent of the LGC, the bankruptcy proceedings could have material and adverse effects on holders of the 2024 Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the Town or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the Town; (2) the incurrence of additional debt, including the claims of those supplying good and services to the Town after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the Town’s debt without the consent of all of the Owners of the 2024 Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners of the 2024 Bonds. In addition, the Bankruptcy Code might invalidate any provision of the documents that makes the bankruptcy or insolvency of the Town an event of default.

The effect of the Bankruptcy Code on the rights and remedies of the Owners of the 2024 Bonds cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity and



considerations of public policy. Regardless of any specific adverse determinations in a bankruptcy case of the Town, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2024 Bonds.

### **Cybersecurity**

The Town, like many other public and private entities, relies on a robust 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, “Systems Technology”). As a recipient and provider of personal, private, or sensitive information, the Town may be the target of cybersecurity incidents that could result in adverse consequences to the Town 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 Town’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 Town invests in various forms of cybersecurity and operational safeguards. The Town maintains cyber liability insurance coverage.

While the Town’s cybersecurity and operational safeguards are periodically tested, the Town cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the Town’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 may not be adequate to cover such losses or other consequential costs and expenses of the Town. Further, cybersecurity breaches could expose the Town to material litigation and other legal risks, which could cause the Town to incur material costs related to such legal claims or proceedings.

### **Climate Change**

The Town is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes, and has experienced severe weather events within the past several years. 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 Town.

## **THE TOWN**

See Appendix A hereto for information on the Town.

## **CONTINUING DISCLOSURE**

In the Contract, the Town will undertake, for the benefit of the registered and beneficial Owners of the 2024 Bonds, to provide to the MSRB:

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2024, the audited financial statements of the Town for such 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 Town for such Fiscal Year to be replaced subsequently by audited financial statements to the Town to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ending June 30, 2024, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included under headings “THE TOWN – Debt Information” and “– Tax Information” (including subheadings thereunder but excluding any information on overlapping or underlying units) in this Official Statement, to the extent such items are not included in the 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 2024 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on 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, Notice of Proposed Issue (IRS Form 5701-TEB) or other material or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modification to the rights of the beneficial owners of the 2024 Bonds, if material;
- (8) call of any of the 2024 Bonds, excluding any mandatory sinking fund prepayment, if material, and tender offers;
- (9) defeasances of any of the 2024 Bonds;
- (10) release, substitution or sale of any property securing repayment of the 2024 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Town;
- (13) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation (as defined below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect Owners of the 2024 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 Town, any of which reflect financial difficulties; and

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

*“Financial obligation”* means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation described in either clause (a) or (b) above. 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 issued under the Securities Exchange Act of 1934, as it may be amended from time to time (“Rule 15c2-12”).

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

All documents provided to the MSRB as described above will be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The Town may discharge its undertaking described above by providing such information in a manner the SEC subsequently authorized in lieu of the manner described above.

The Contract will also provide that the undertaking described above is enforceable by the Trustee or any beneficial owner of the 2024 Bonds including an action for specific performance, but the Town's failure to comply with the undertaking will not constitute an Event of Default under the Indenture and will not result in acceleration of the payment of the 2024 Bonds. An action must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all registered and beneficial owners of the 2024 Bonds.

Pursuant to the Contract, the Town will reserve the right to modify from time to time the information to be provided or the format of the presentation of such information to the extent necessary or appropriate in the judgment of the Town, provided that any such modification will be done in a manner consistent with Rule 15c2-12, and provided further 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 Town;

(b) the information to be provided, as modified, would have complied with the requirements of 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 owners or beneficial owners of the 2024 Bonds, as determined either by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2024 Bonds pursuant to the terms of the Indenture.

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 2024 Bonds.

The Town is not aware of any instances of its failure in the previous five years to comply in all material respects with its existing continuing disclosure undertakings pursuant to Rule 15c2-12.

### **THE LOCAL GOVERNMENT COMMISSION**

The Contract has been approved by the LGC. The LGC 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 the 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 LGC's Secretary, who heads the LGC's administrative staff.

A major function of the LGC is the approval, sale and delivery of substantially all North Carolina local government general obligation and revenue bonds and notes and the approval of contracts entered into under Section 160A-20 of the North Carolina General Statutes. 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 LGC 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.

## **LEGAL MATTERS**

Certain legal matters related to the authorization, execution, sale and delivery of the 2024 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the Town by Emily Sloop, Esq., Town Attorney, for the Corporation by Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina, and for the Underwriter by Pope Flynn, LLC, Charlotte, North Carolina.

## **TAX TREATMENT**

### **General**

On the date of execution and delivery of the 2024 Bonds, Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina ("Bond Counsel"), will render an opinion that, under existing law, assuming compliance by the Town with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the portion of the Installment Payments designated and paid as interest with respect to the 2024 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, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds 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 for tax years beginning after December 31, 2022.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the Town rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2024 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 2024 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 Town subsequent to the execution and delivery of the 2024 Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the Town as to certain facts material to the opinion and the requirements of the Code.

The Town has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the Town with such covenants, and Bond Counsel has not been retained to monitor compliance by the Town with such covenants subsequent to the date of execution and delivery of the 2024 Bonds. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2024 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 2024 Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the Town to comply with any requirements described above, the Town is not required to prepay the 2024 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 2024 Bonds. Prospective purchasers and owners of the 2024 Bonds are advised that, if the Internal Revenue Service does audit the 2024 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the

Internal Revenue Service will treat the Town as the taxpayer, and the owners of the 2024 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 2024 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers of the 2024 Bonds should be aware that ownership of the 2024 Bonds and the accrual or receipt of portion of the Installment Payments designated and paid as interest with respect to the 2024 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 2024 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers of the 2024 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 2024 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 portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be subject directly or indirectly to federal, state or local income taxation, adversely affect the market price or marketability of the 2024 Bonds or otherwise prevent the owners of the 2024 Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds.

Bond Counsel is further of the opinion that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds is exempt from State of North Carolina income taxation.

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 Town, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### **Original Issue Premium**

As indicated on the inside cover page, the 2024 Bonds are being sold at initial offering prices which are in excess of the principal amount payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the 2024 Bonds is sold and (b) the principal amount payable at maturity of such 2024 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 2024 Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such 2024 Bond is reduced from the owner’s cost basis of such 2024 Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such 2024 Bond (whether upon its sale, redemption or payment at maturity). Owners of 2024 Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such 2024 Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a 2024 Bond.

## **LITIGATION**

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the 2024 Bonds or the validity thereof, or the creation, organization, corporate existence or powers of the Corporation or the Town, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Contract or the Indenture by the Corporation or the Town.

## **RATINGS**

Moody's Investors Service and S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC have assigned ratings of "Aa1" and "AA+," respectively, to the 2024 Bonds. The ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained from such rating agencies. Certain information and materials not included in this Official Statement were furnished to such rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2024 Bonds.

## **UNDERWRITING**

The Underwriter has agreed under the terms of a Contract of Purchase to purchase all of the 2024 Bonds, if any of the 2024 Bonds are to be purchased. The 2024 Bonds will be purchased at a price equal to 100% of the principal amount thereof, plus original issue premium of \$3,075,300.35, less an Underwriter's discount of \$133,254.25. The Underwriter's obligation to purchase the 2024 Bonds is subject to certain terms and conditions set forth in such Contract of Purchase.

The Underwriter intends to offer the 2024 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which offering prices may subsequently be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter has reserved the right to permit other securities dealers who are members of the Financial Industry Regulatory Authority to assist in selling the 2024 Bonds. The Underwriter may offer and sell the 2024 Bonds to certain dealers (including dealers depositing 2024 Bonds into investment trusts) at prices lower than the public offering prices set forth on the inside cover page of this Official Statement or otherwise allow concessions to such dealers who may re-allow concessions to other dealers. Any discounts or commissions that may be received by such dealers in connection with the sale of the 2024 Bonds will be deducted from the Underwriter's underwriting profits.

## **FINANCIAL ADVISOR**

Davenport & Company LLC, Charlotte, North Carolina, has served as financial advisor to the Town in connection with the issuance and sale of the 2024 Bonds.

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the Corporation and the Town.

**APPENDIX A**  
**INFORMATION RELATING TO THE TOWN**

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## **APPENDIX A**

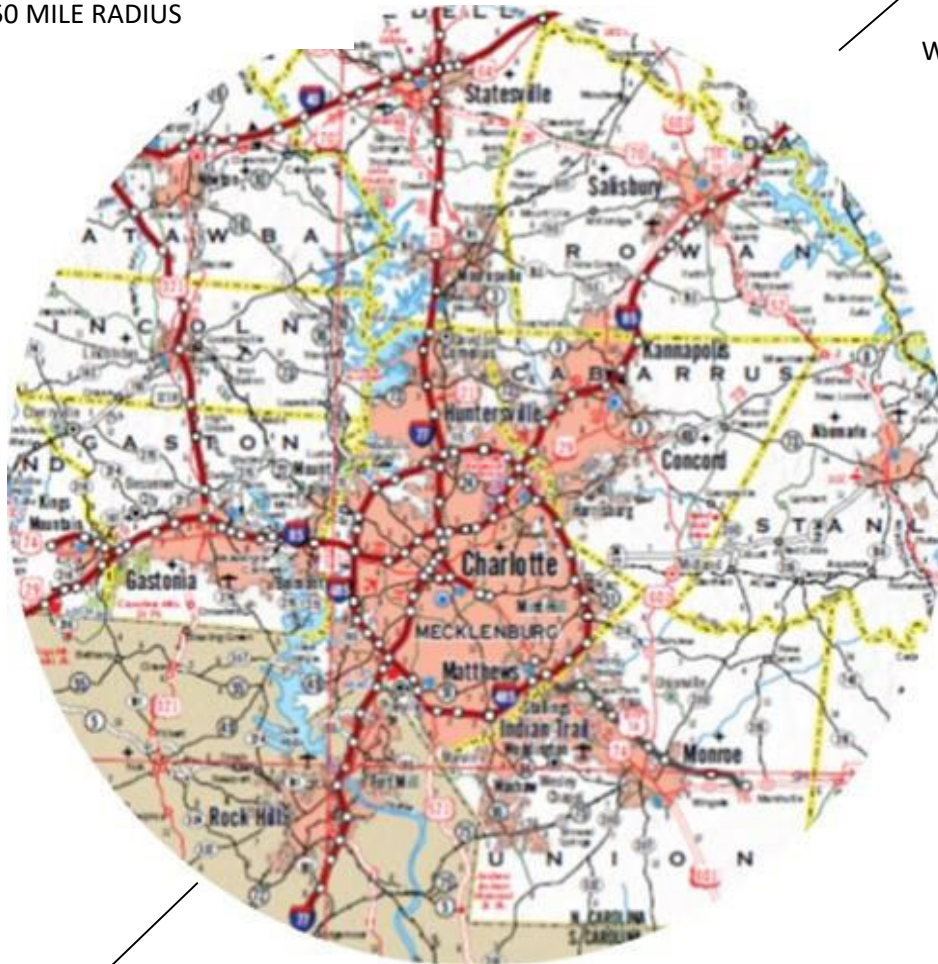
### **INFORMATION RELATING TO THE TOWN**

#### **General Description**

The Town, incorporated in 1873, is currently the 16<sup>th</sup> largest municipality in North Carolina. Huntersville has grown from just over 3,000 people in 1990 to over 63,000 in 2023. The Town is located approximately 12 miles north of the City of Charlotte, North Carolina (the “City of Charlotte”) in the northern portion of Mecklenburg County (the “County”), is a short drive from the Charlotte Motor Speedway and is located along the shores of Lake Norman. The Town covers an area of approximately 41.5 square miles. Situated in the Piedmont section of the State, the Town is 211 miles from the Atlantic Ocean (Wilmington, NC), 186 miles from the Great Smoky Mountains (Bryson City, NC), and 161 miles southwest of Raleigh, the State Capital. Interstate 77 runs through the middle of Town, and the Town sits approximately 12 miles from Interstate 85. N.C. Highway 73, U.S. Highway 21 and N.C. Highway 115 pass through the Town. A portion of Interstate 485 (“I-485”), also known as the Charlotte Outer Loop, touches the Town’s southern boundary. I-485 connects the Town directly to the City of Charlotte’s University Area, Northeast Charlotte and Concord and ultimately South Charlotte and the Charlotte-Douglas International Airport. The Town has extraterritorial planning and zoning jurisdiction extending from the Cabarrus County line to the Lincoln County line, an area of approximately 63.42 square miles.

The Town is a part of the Charlotte-Concord-NC-SC Combined Statistical Area (the “CSA”), a region of an estimated 2,920,892 people as of 2022, that includes the Charlotte-Concord-Gastonia NC-SC metropolitan statistical area and two micropolitan areas – Albemarle, and Shelby. The CSA is one of the South’s leading commercial and industrial areas. The Charlotte-Concord-Gastonia MSA is the 20<sup>th</sup> largest metropolitan area in the country.

50 MILE RADIUS



New York, New York 624 Miles

Washington, D.C. 396 Miles

Atlanta, Georgia 245 Miles

## Demographic Characteristics

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

<u>2000</u>	<u>2010</u>	<u>2020</u>
24,960	46,773	61,376

The State Demographer's Office at the NC Office of State Budget and Management has estimated the Town's population as of July 1 of each year to be 62,325 in 2021 and 63,355 in 2022. Based on the Town's recent population growth and approved development, the Town Planning Department estimates the Town population to grow to 85,852 by 2030.

In the early 1990s, the Town began a decade of growth through both annexations and strong residential and commercial development in the existing incorporated areas. In 1996, the Town updated its zoning ordinance based on the principles of traditional town planning. Different iterations and revisions to the Town's zoning and subdivision ordinances have followed through the years that have been grounded in economics as well as aesthetics. The Town's current long-term vision for how it will develop comes from the Town's 2040 Community Long Range Plan, adopted in December 2020, which updated the Town's 2030 Community Plan. In that plan, it states that "Huntersville will be a vibrant community rooted in the past while looking towards the future. It provides attractive options for its residents to live, work, play, and grow. Pursuing the highest levels of excellence, the town will guide growth and development in a way that prioritizes quality of life, green spaces and environmental safety, meaningful economic development, and multimodal transportation."

The Town generally focuses higher intensity development and redevelopment within two miles of the I-77/NC-115 corridor, with lower intensity development located to the east and west of this corridor and in mixed-use village centers at important crossroads. The downtown area of the Town has seen zoning regulations designed to support transit-oriented development, in support of a commuter rail line contemplated by the Charlotte Area Transit System. The Town has continued to focus on corporate development and light industrial growth in an effort to complement its residential growth and balance its tax base.

Per capita income figures for the County and the State are presented in the following table:

<u>Year</u>	<u>County</u> <sup>1</sup>	<u>State</u>	<u>United States</u>
2018	\$60,759	\$46,040	\$53,309
2019	63,743	48,366	55,547
2020	68,546	51,781	59,153
2021	73,908	56,705	64,430
2022	76,441	58,109	65,470

<sup>1</sup> Separate figures for the Town are not available.

Source: United States Department of Commerce, Bureau of Economic Analysis.

## Commerce and Industry

The Town benefits from a tax base of commercial and business park/industrial establishments, which provide diverse products and services. The strength of this commercial and industrial base is reflected in the Town's tax base which grew in Fiscal Year 2023 at an increase of \$530.5 million or 5%.

The Town actively recruits job producing commercial development and business retention in cooperation with neighboring towns and the County. In the early 2000s, the Town engaged partners in the nearby towns of Cornelius and Davidson to create the Lake Norman Economic Development Corporation (“LNEDC”) in an effort to work together to increase the commercial tax base in the County’s northern region. Through the LNEDC, the Town shares revenues and expenditures associated with the creation and operation of approximately 126 acres of land located just north of I-485 developed into an industrial park named Commerce Station. Commerce Station, which can be expanded to 325 acres, is zoned for industrial uses and is ideally suited for manufacturing operations. Tenants include Reynolds Consumer Products and Southwire, which occupies a 250,000 square-foot facility in Commerce Station. Southwire is North America’s leading manufacturer of wire and cable used in distribution and transmission of electricity. The 430-foot tall cable extrusion tower associated with the plant has become a landmark for Commerce Station and the Town. Silver Investments Limited, a full-service commercial real estate leasing, property management and development firm located in Charlotte, recently completed construction of its second multipurpose speculative building, with all suites now fully leased. The Town and LNEDC continue to talk with adjoining property owners about additional phases for Commerce Station in the future.

The Town’s quality of life and proactive corporate business zoning has led to a diverse economy and allowed it to sustain quality development. Today, the Town is home to companies from all over the globe with many European companies as part of its corporate landscape. Some of the town’s prominent companies include: Burkert Fluid Control Systems, Forbo Siegling, LLC, GM Financial, Metrolina Greenhouses, Saertex USA, Microban International and Reynolds Consumer Products among others. Lowe’s Companies, Inc., headquartered just eight miles north of the Town on Interstate 77 in Mooresville, has spurred additional corporate growth. Corporate offices of several large suppliers to Lowe’s have located in the Town including Newell Rubbermaid. These employers account for more than one million square feet of industrial and office space and have added more than 1,000 additional jobs to the Town. The Town’s proximity to the Charlotte Motor Speedway has also sparked growth as the Town is home to Joe Gibbs Racing, with over 600 employees. In 2023, Atom Power, a manufacturer of EV charging stations, announced an investment of \$4.2 million and the addition of 205 new jobs in the Town, and SEG Systems, a manufacturer of integrated merchandising displays and graphics solutions, announced a relocation to the Town, including an investment of \$30 million and the creation of 150 new jobs.

The Town’s downtown is home to Huntersville Town Center, which is anchored by a three-story, 48,000 square-foot mixed-use building, with Discovery Place Kids, a children’s museum, on the first two floors and administrative offices of the Town on the third floor. The Town Center has a three-story, 296 space parking deck adjacent with an existing building pad that would accommodate an additional 36,000 square-foot mixed-use building. There is also frontage on Gilead Road that would accommodate additional development, over which the Town has site control. This is adjacent to Town Hall and near Veterans Park, which has become the centerpiece for many downtown festivals and events.

The Town also boasts a strong variety of shopping destinations, headlined by Birkdale Village, a 52-acre residential, retail and office mixed-use development, with over 320,000 square feet of space comprising 60 retail shops (mix of local, national and big box), 10 restaurants, service providers, a 16-screen movie theater and interactive fountain with splash pad. In 2023, it was announced that a \$65 million project called Birkdale Place, located within a 15.6-acre portion of the existing Birkdale Golf Course, is expected to add 210 apartments, 45,000 square feet of retail and restaurant space and a 140 room hotel. On the other side of I-77 along Sam Furr Road is the Northcross Shopping Center and connected Northcross Village, home to one of the region’s busiest Target stores, Lowe’s and a host of other national and local retail, restaurant and service businesses as part of its combined 673,000+ square feet of commercial space. Across from Birkdale Village, Birkdale Landing offers over 44,000 square feet of retail space, more than 28,000 square feet of restaurant space opportunities and more than 28,000 square feet of professional office space.

The widening of Sam Furr Road (NC-73) alleviated some of the traffic from motorists accessing commercial retail centers and commuters from Huntersville, Cornelius and Lincoln County heading east into Cabarrus County and I-85. The revolutionary quadrant left intersection facilitates quicker movement of traffic to and from existing commercial centers and to future commercial and office space along the Sam Furr Rd (NC-73) and Statesville Road (US-21) corridors.

The Town has rezoned more than 1,000 acres of land to corporate business zoning throughout its town limits. A portion of that land is adjacent to I-485 and the new development associated with Northlake Mall in the City of Charlotte. The Town has also rezoned more than 300 acres along NC-115 and the rail line near its southern boundary to corporate business zoning where the Bryton development is being constructed just north of I-485, which has greatly enhanced the connectivity of the Town's businesses to other development in the region and to The University of North Carolina at Charlotte.

The following table lists some of the major employers within the Town as of June 2023:

<u>Company/Institution</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
McGuire Nuclear Station (Duke Energy)*	Energy	1,250
Novant Health	Healthcare	1,100
Metrolina Greenhouses, Inc.*	Plant Wholesale	800
Joe Gibbs Racing	NASCAR	650
Reynolds Consumer Products	Household Products	570
Forbo Siegling, LLC	Manufacturing	322
Saertex	Aeronautical Manufacturing	220
GM Financial	Financial Services	200
Burkert	Solenoid Valve Manufacturing	135
DM Bowman	Trucking Fleet	70

\* Located in the Town's extra-territorial jurisdiction.

Novant Health Huntersville Medical Center is located in the heart of Huntersville as a 139-bed hospital on a 29 acre campus, with easy access to I-77 and Gilead Road. Huntersville Medical Center opened in 2004 as a 50-bed community hospital. It has expanded access to comprehensive services in emergency, maternity, surgery, pediatrics, cardiovascular, cancer and outpatient care, in addition to several facility expansions over the years. The newest upgrade is a \$2.4 million 5,000 square-foot children's emergency center built in 2022. Equipped to treat complex heart disorders in its state-of-the-art catheterization lab and provide compassionate, personalized cancer care in its robust infusion center, Huntersville Medical Center is positioned to serve the growing Huntersville community and their health care needs. Outpatient care is available at more than 30 Novant Health Medical Group clinic locations in the Town and surrounding areas. The facility has brought over 690 jobs to the Town.

The following table, showing the number and value of building permits issued by the Mecklenburg County Building Standards Department, illustrates construction activity in the Town.

*Residential*

<u>Fiscal Year</u>	<u>Permits</u>	<u>Construction Value</u>
2019	420	\$126,099,874
2020	766	200,471,696
2021	829	229,566,432
2022	675	152,114,511
2023	239	103,004,646

*Commercial, Industrial & Institutional*

<u>Fiscal Year</u>	<u>Permits</u>	<u>Construction Value</u>
2019	207	\$138,649,418
2020	239	139,075,155
2021	243	146,931,152
2022	279	212,919,615
2023	277	294,175,394

Source: Town of Huntersville Planning.

The following table reflects the taxable sales and purchases for the County during the Fiscal Years shown below:

<u>Fiscal Year</u>	<u>Total Taxable Sales &amp; Purchases</u>	<u>Increase Over Previous Year</u>
2019	\$23,803,537,694	7.2%
2020	23,748,194,923	(0.0)
2021	26,097,009,350	9.9
2022	31,011,893,464	18.8
2023	34,108,420,190	10.0
2024 <sup>1</sup>	17,572,867,713	--

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

<sup>1</sup> For the six-month period ended December 31, 2023. The comparable figure for the six-month period ended December 31, 2022 was \$17,151,815,072.

## Employment

The North Carolina Department of Commerce, division of Employment Security has estimated the percentage of unemployment (not seasonally adjusted) in the Town to be as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
January	3.3%	3.1%	4.7%	2.8%	3.1%
February	3.1	3.0	4.3	2.9	2.8
March	3.1	3.9	3.9	2.6	3.0
April	2.8	12.0	3.8	2.4	2.6
May	3.0	10.2	3.8	2.7	2.7
June	3.3	8.2	4.2	3.0	2.9
July	3.4	6.9	3.7	2.9	2.8
August	3.2	5.0	3.5	3.2	2.8
September	2.9	5.2	2.9	2.7	2.6
October	3.3	4.8	3.1	3.0	2.9
November	3.0	4.6	3.0	3.0	3.0
December	2.9	4.7	2.5	2.7	2.9

## Government and Major Services

### *Government Structure*

The Town has operated under the Council-Manager form of government since February 1, 1994. The Town is governed by a Mayor and the six-member Town Board elected on an at-large, non-partisan basis.

The Mayor presides over all Town Board meetings and can vote only in the case of a tie. The Town Board enacts all general and technical ordinances, including budgetary appropriations and zoning ordinances, approves contracts, and establishes general management policies. The Town Board appoints the Town Manager and Town Attorney and makes appointments to other various boards and committees. The Town Manager is the chief executive officer and is responsible for enforcement of laws and ordinances, delivery of Town services, planning, personnel administration and budgetary management.

The Town Board outlines its vision and goals each year during the budget process. The budget process begins in December with Department Directors compiling their requests. The Town Board holds a planning retreat early in the calendar year to set goals and objectives for the coming budget year. Staff then crafts the budget around the goals outlined.

### *Education*

The Town is served by the consolidated Charlotte-Mecklenburg Schools (“CMS”) system. The Town has no financial responsibility for any part of the school system. CMS currently operates 182 schools with more than 143,000 students enrolled in kindergarten through 12<sup>th</sup> grade. CMS is also one of the largest employers in the County, with more than 20,000 employees. CMS is governed by a 9-member Board of Education with three members elected at-large and six members coming from districts. The Town is represented by District 1.

The following table indicates the enrollment statistics for private schools in the County, as furnished by the North Carolina Division of Non-Public Education:

<u>School Year</u>	<u>Number Enrolled</u>
2018-19	18,530
2019-20	18,378
2020-21	18,812
2021-22	19,516
2022-23	20,857

The North Carolina Division of Non-Public Education indicates that there were 101 non-public schools in the County for the 2023-24 school year. Of those 101, 11 are in the Town. Lake Norman Charter School is also located in the Town.

The Charlotte Metro Region boasts a number of quality higher education institutions. UNC Charlotte is the fourth largest institution in the University of North Carolina System and is located within 12 miles of the Town limits. It is the UNC system’s urban research university and is home to 3,700 faculty and staff and more than 30,000 students. The main campus is over 950 acres, plus 100 acres known as the Charlotte Research Institute. This research campus focuses on precision metrology and intelligent manufacturing, opto-electronics, and software and information technology. UNC Charlotte also operates a 12-story campus in downtown Charlotte, offering academic programs in graduate, professional and continuing education.

Central Piedmont Community College (“CPCC”) has eight locations throughout the Charlotte metro area and is the largest community college system in North Carolina. It offers nearly 300 for-credit programs of study, more than 55 professional pathways to real world study and over 800 partnerships with companies to support workplace internships and apprenticeships. Currently, CPCC has a 19:1 student-faculty ratio, with more than 43,600 students enrolled annually across all programs. It was the first college in the nation to establish training programs with Cummins and Tesla. Huntersville is home to the CPCC Merancas Campus. This facility is home to public safety and transportation system technologies programs, as well as providing college preparatory, high school equivalency and college transfer classes. This campus also works locally with businesses for specialized corporate and continuing education training.

Other prominent educational institutions in the County include Art Institute of Charlotte, Davidson College, DeVry University, ECPI College of Technology, Johnson & Wales University, Johnson C. Smith University, Kings College, Queens University of Charlotte, the University of Phoenix and Pfeiffer University. The University of South Carolina’s Darla Moore School of Business offers its Professional Master of Business Administration degree in uptown Charlotte and the Wake Forest University School of Business also has a presence in uptown Charlotte at the Wake Forest University Charlotte Center. Northeastern University also chose Charlotte for its first physical expansion outside of Massachusetts, occupying roughly 14,000 square feet in uptown Charlotte offering a Doctor of Education program and variety of masters programs in the areas of business, analytics, innovation, informatics, taxation, project management and sports leadership among others. The NASCAR Technical Institute is located in nearby Mooresville, while Wingate University, Gardner Webb University and Montreat College all have area campuses as well. The Carolinas College of Health Sciences, a subsidiary of Carolinas Medical Center, part of Atrium Health, is also located in the County. In November 2019, Atrium Health signed an agreement for a “strategic combination” with Winston-Salem’s Baptist Health and Wake Forest University to bring a four-year medical school to the Charlotte area, which is expected to seat its first class in 2024.



### *Transportation*

Major expansion, improvements and maintenance of primary and secondary highway thoroughfares are the responsibility of the State. The Town is responsible for street lighting, sidewalks and some landscaping. The Town is also becoming increasingly involved in working with NCDOT to facilitate road construction projects.

Major construction, improvements and maintenance of the local street system are the responsibility of the Town. Construction of new streets within subdivisions is the primary responsibility of the developer. A major portion of the Town's street maintenance and improvements is funded from the Town's proportionate share of the amount produced by a State tax on each gallon of motor fuel. The Town received \$1,716,990 from that source for Fiscal Year 2023. As of July 1, 2023, the Town maintains just over 223.78 linear miles of streets.

The Charlotte Douglas International Airport (the "Airport") occupies approximately 6,000 acres of land within the County and is located approximately seven miles west of downtown Charlotte. The Airport currently has four runways, all equipped with precision instrument landing systems. The Airport is a gateway for international travelers and is a port of entry and export with customs service and a foreign trade zone designation at the Airport. A total of 25.4 million passengers enplaned at the Airport during the fiscal year ended June 30, 2023. The Airport is one of the busiest in the world, ranking tenth in the nation in passenger traffic for calendar year 2022 according to Airports Council International - North America. During the fiscal year ended June 30, 2023, 21 airlines provided regularly scheduled passenger service at the Airport, providing an average of 634 daily departures to 185 destinations in 25 countries in the Americas, the Caribbean and Europe. The Airport currently serves as the second busiest passenger hub for American Airlines, the world's largest airline, which accounted for approximately 90% of the enplaned passengers at the Airport during the fiscal year ended June 30, 2023. The Airport also serves cargo airlines and general aviation aircraft. A unit of the North Carolina Air National Guard and other aviation support facilities are also located at the Airport.

The Town is also served by Concord-Padgett Regional Airport ("Concord Regional"), located 10 miles from the Town. It covers 750 acres, is a general aviation airport and serves corporate jets utilized by NASCAR-related and other corporate entities. An NCDOT State of Aviation Report released in January 2023 on the State's 72 publicly-owned airports, reviewed 2021 data and found that Concord Regional contributed \$899.8 million in economic output, 4,430 jobs, over \$294 million in personal income and over \$48 million in state and local taxes. Concord Regional boasts 7,400 feet of runway and had 86,340 operations in 2022. Concord Regional is also a Fixed Base Operator and hosts a number of local flight schools. It has over 180 aircraft based at its facility. Concord Regional serves general aviation aircraft, corporate, military, government and commercial service aircraft. The motorsports industry uses Concord Regional regularly for private and charter flights. Low fare carrier Allegiant Air is the only airline currently providing commercial flights at Concord Regional, including flights to several Florida destinations (Fort Lauderdale, Punta Gorda, St. Petersburg and Daytona Beach). Avelo Airlines announced in February 2024 exclusive nonstop service between Concord Regional and Tweed-New Haven Airport (HVN) in southern Connecticut. Beginning May 2, 2024, Avelo will operate this route twice weekly on Thursdays and Sundays.

## *Public Service Enterprises*

### Electric System

The Town owns an electric distribution system serving over 8,000 residential and commercial customers in the Town and other areas of the County. Duke Power and Energy United serve the balance of Town citizens.

The Town, in conjunction with 18 other local governments, is a member of the North Carolina Municipal Power Agency Number 1 (the “Agency”). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency’s governing board. The 19 members that receive power from the Agency have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales requirements, no local governmental participant has any obligation, entitlement or residual interest. The Town’s expenditures for the purchase of power for Fiscal Years 2022 and 2023 were \$19,352,777 and \$17,737,330, respectively, just above the budgeted amount of \$19,145,000 for Fiscal Year 2022 and below the budgeted amount of \$19,070,000 for Fiscal Year 2023.

The Towns of Huntersville and Cornelius have an agreement with ElectriCities of NC that provides for ElectriCities to operate and maintain the electric system of each Town, including managing the resources and expenditures of each Town’s electric system, not limited to but including planning, technical and customer assistance, inventory management and billing and collections. For Fiscal Year 2023, the Town paid ElectriCities \$1,523,098 for salaries and wages, employee benefits and other related costs.

### Water and Sewer System

Charlotte Water administers and operates a unified water and sanitary sewer system for the City of Charlotte, the County and all other municipalities in the County, including the Town (the City of Charlotte and the County consolidated in 1972; all of the towns consolidated in 1984).

The system provides services to Town and County residents under a rate structure designed to produce revenues sufficient to provide for operating expenses, debt service and adequate working capital. The Franklin Water Plant is the largest in North Carolina and has 132 million gallons per day (“MGD”) capacity, with an average pumped of nearly 80 MGD. Vest Water Plant, constructed in 1924 is a well-maintained structure with state-of-the-art technology and with treatment capacity of 24 MGD, with an average pumped of nearly 14 MGD. The Lee S. Dukes Water Treatment Plant, located in Huntersville, began operation in February of 1998. It is designed to facilitate easy and economical expansion from its initial capacity of 18 MGD, to an ultimate capacity of at least 108 MGD. The current average pumped amount is nearly 14 MGD. The site for this facility was selected in part because it allows raw water to flow by gravity from Lake Norman to the plant and is aided by the fact that low lake levels are restricted by Duke Power’s FERC license. In 2018, these three facilities received North Carolina Area Wide Optimization Program certificates. The total system capacity of Charlotte Water is 174 MGD.

The water sources for the system are the Mountain Island Lake impoundment and the Lake Norman impoundment, both on the Catawba River, and both of which border the Town. The Town is also home to a wastewater treatment plant operated by Charlotte Water. Charlotte Water has substantial capacity to serve the Town’s water and wastewater needs for the foreseeable future.

### Solid Waste

The Town does not own or operate a solid waste landfill. All solid waste generated by Town residents is disposed of at the 729-acre Republic Services-Charlotte Motor Speedway Landfill in Concord, which is privately owned by Republic Services. The Town provides residential garbage collection, yard waste collection and curbside recycling services for more than 19,000 single-family households through a contract with Waste Connections, Inc.

### Public Safety

The Town is responsible for the protection of persons and property from criminal action and for the enforcement of all criminal and civil laws within the Town limits. The Town's Police Department has authorized 106 full-time law enforcement officers and 21 full-time civilian staff. The Town has an Interlocal Agreement with the County to police the Town's extra territorial jurisdiction (ETJ).

Fire protection is provided to Town residents by the Huntersville Fire Department, a hybrid department where services are provided by volunteers, but stations are staffed 24/7 with paid staff. The Town's budget for Fiscal Year 2024 includes \$5,876,640 in funds for the Huntersville Fire Department for operating expenses and equipment purchases. The Town currently has four fire stations.

### **Debt Information**

#### *Legal Debt Limit*

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the Town had a legal debt margin of approximately \$838,938,032 as of June 30, 2023. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

#### *Outstanding General Obligation Debt*

June 30, <u>2020</u>	Principal Outstanding as of June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>
\$35,242,000	\$32,873,000	\$30,782,000	\$28,268,000

#### *General Obligation Debt Ratios*

<u>At July 1,</u>	<u>Total</u> <u>GO Debt</u>	<u>Assessed</u> <u>Valuation</u>	<u>Total GO Debt</u> <u>to Assessed</u> <u>Valuation</u>	<u>Population</u>	<u>Total GO</u> <u>Debt Per</u> <u>Capita</u>
2019	\$22,206,000	\$ 7,152,848,197	0.31%	61,220	\$363
2020	35,242,000	9,645,925,417	0.37	61,878	570
2021	32,873,000	9,986,464,049	0.33	62,325	527
2022	30,782,000	10,391,212,537	0.30	63,355	486
2023	28,268,000	10,921,987,883	0.26	63,355 <sup>1</sup>	446

<sup>1</sup> 2022 estimate.

*General Obligation Debt Service Requirements and Maturity Schedule*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$2,554,000	\$ 877,974	\$ 3,431,974
2025	2,565,000	786,658	3,351,658
2026	2,554,000	689,798	3,243,798
2027	2,546,000	593,020	3,139,020
2028	2,263,000	491,988	2,754,988
2029	2,099,000	406,352	2,505,352
2030	2,090,000	335,724	2,425,724
2031	1,640,000	265,204	1,905,204
2032	1,629,000	212,404	1,841,404
2033	1,613,000	167,536	1,780,536
2034	1,205,000	137,956	1,342,956
2035	1,205,000	113,319	1,318,319
2036	1,205,000	88,143	1,293,143
2037	775,000	62,969	837,969
2038	775,000	47,469	822,469
2039	775,000	31,969	806,969
2040	<u>775,000</u>	<u>16,469</u>	<u>791,469</u>
Total	\$28,268,000	\$5,324,952	\$33,592,952

*General Obligation Bonds Authorized And Unissued*

Voters in the Town approved two general obligation bond referenda on November 7, 2023 totaling \$58 million, consisting of \$50 million for transportation projects and \$8 million for parks and recreation projects. The Town expects to issue the general obligation bonds in two tranches, with approximately \$25 million expected to be issued in fall 2024 and the remainder in 2028.

*General Obligation Debt Information for Overlapping Unit as of June 30, 2023*

<u>GO Debt Unit</u>	<u>2022 Population<sup>1</sup></u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Bonds Authorized &amp; Unissued</u>	<u>Total GO Debt</u>	<u>Total GO Debt Per Capita</u>
Mecklenburg County	1,143,390	\$203,111,575,229	.6169	\$52,225,000	\$1,642,020,000	\$1,436

<sup>1</sup> Certified estimate of North Carolina Office of State Budget and Management as of July 1, 2022.

### *Other Long-Term Commitments*

This table summarizes the annual requirements under installment contract financings:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$1,428,000	\$ 69,595	\$1,497,595
2025	846,000	56,301	902,301
2026	822,000	46,464	868,464
2027	798,000	36,904	834,904
2028	774,000	27,623	801,623
2029	750,000	18,620	768,620
2030	285,000	12,406	297,406
2031	280,000	8,875	288,875
2032	<u>570,000</u>	<u>3,563</u>	<u>573,563</u>
Total	\$6,553,000	\$280,350	\$6,833,350

### *Debt Outlook*

The Town approves a capital improvements plan on an annual basis and reviews capital needs each year during the budget process. The Town may borrow money to meet capital needs that it considers necessary.

### **Tax Information**

#### *General Information*

	<u>2020</u>	<u>Fiscal Year Ended June 30,</u>		<u>2023</u>
		<u>2021</u>	<u>2022</u>	
Assessed Valuation:				
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%
Real Property	\$8,380,929,151	\$8,621,384,214	\$8,954,670,095	\$9,344,334,648
Personal Property	467,203,030	497,064,564	527,450,975	565,820,657
Public Service Companies <sup>2</sup>	89,313,236	100,527,354	108,171,151	117,893,220
Motor Vehicles	<u>708,480,000</u>	<u>767,487,917</u>	<u>800,920,317</u>	<u>893,939,358</u>
Total Assessed Valuation	9,645,925,417	9,986,464,049	10,391,212,538	10,921,987,883
Tax Rate per \$100	<u>0.2400</u>	<u>0.2400</u>	<u>0.2400</u>	<u>0.2400</u>
Net Levy	\$ <u>23,150,221</u>	\$ <u>23,967,514</u>	\$ <u>24,938,910</u>	\$ <u>26,212,770</u>

<sup>1</sup> Percentage of appraised value has been established by statute.

<sup>2</sup> Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

### *Tax Collections*

<u>Fiscal Year</u>	<u>Collected within Fiscal Year of Levy</u>	<u>Collected in Subsequent Years</u>	<u>Percentage of Levy Collected</u>
2019	\$21,756,075	\$ 43,532	99.92%
2020	22,978,652	148,066	99.90
2021	23,858,917	80,039	99.88
2022	24,858,026	39,663	99.83
2023	26,133,325	-	99.70

### *Ten Largest Taxpayers for Fiscal Year Ended June 30, 2023*

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Value</u>
DDRTC Birkdale Village LLC	Retail Leasing	\$123,247,813	1.13%
HTA, LLC	Business Park	78,290,000	0.72
Reynolds Consumer Products LLC	Manufacturing	78,204,277	0.72
Joe Gibbs Racing, Inc.	NASCAR	67,384,546	0.62
Piedmont Natural Gas Company, Inc.	Utility	64,240,252	0.59
Northcross Land Development LP Inc.	Office Park	62,980,000	0.58
Southwire Company LLC	Manufacturing	50,648,842	0.46
B CORE MF as Lake Norman	Apartment Leasing	46,106,104	0.42
The Collection at The Park LLC	Apartment Leasing	44,596,000	0.41
CSP Community Owner	Apartment Leasing	<u>44,363,600</u>	<u>0.41</u>
Total		<u>\$660,061,434</u>	<u>6.04%</u>

Source: Town's Fiscal Year 2023 Annual Comprehensive Financial Report.

### **Fiscal Year 2024 Budget Outlook**

The Town budget for the Fiscal Year ending June 30, 2024 was adopted by the Town Board on June 5, 2023. The Fiscal Year 2024 General Fund brought a reduction of the previous tax rate of \$.24 per \$100 of assessed real and personal property to a revenue neutral rate of \$0.176, due to an increase of over 40% in property revaluation. On the revenue side, there is also a budget increase of sales tax distributions of \$500,000 to more directly align the budget with actual receipts. Town-wide, annually budgeted funds increased from \$103,174,878 in Fiscal Year 2023 to \$109,672,037 in Fiscal Year 2024 (6%). In Fiscal Year 2024, the Town continues its financial policy mandated tradition of using no General Fund Balance to balance its annual operating budget, but uses restricted Stormwater (\$290,000), and Powell Bill (\$425,000) fund balance reserves.

Annual personnel expenditures budgeted in Fiscal Year 2024 include the headcount increase, annual employee raises and mandated retirement system contribution increase. Operational initiatives included an increase to the Fire Department of \$572,650 for an additional \$2 per hour pay increase, increase funding of the first year funding of a new solid waste contract of \$703,300, first year funding of a new police dispatch contract with Charlotte-Mecklenburg Police Department of \$550,000 and the Planning Department operational expenses funds \$150,000 to implement Downtown Plan initiatives.

The Town also continues an active capital improvement program. The Fiscal Year 2024 budget continues comparable initiatives as previous years, funding a variety of replacement police vehicles and other equipment

for the parks and public works departments including upfit for a new fleet department and replacement of various equipment in Powell Bill and Stormwater. The Town's Fiscal Year 2023 Annual Comprehensive Financial Report indicated availability of fund balance committed for future capital projects of \$10,041,535. Overall, there are fifteen capital projects, from roads to parks and greenways, that will require some staff attention funded in the FY 2024 Capital Improvement Program.

## **Pension Plans**

The following information on the pension plans is presented on the calendar year basis, whereas the information presented in the independent auditor's footnote was presented on the fiscal year basis.

The Town participates in the North Carolina Local Governmental Employees' Retirement System.

*North Carolina Local Governmental Employees' Retirement System* – The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% 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 current rate for general employees is 12.10% and the rate for law enforcement officers is 13.10%, respectively, of annual covered payroll. The Town's contributions to LGERS for the years ended June 30, 2020, 2021, 2022 and 2023 were \$1,076,515, \$1,287,650, \$1,555,893 and \$1,905,783 respectively. 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 Town's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina, see the Notes to the Town's Audited Financial Statements in Appendix D hereto.

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

## Other Post-Employment Benefits

The Town provides certain other post-employment benefits (“OPEB”) as part of the total compensation offered to attract and retain the services of qualified employees. For employees who have completed 25 years of creditable service with the Town, the Town will provide 100% of the employee-only medical insurance in its group health plan until the employee reaches age 65. Two people currently receiving this benefit.

The Town implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,” in Fiscal Year 2018. Below is a summary of Other Post-Employment Benefit Liability for the last two Fiscal Years.

### Other Post-Employment Benefits

	Fiscal Year Ended June 30,	
	<u>2022</u>	<u>2023</u>
Service cost	\$ 289,894	\$ 300,970
Interest	78,224	90,611
Differences between expected and actual experience	3,869	(131,215)
Changes of assumptions or other inputs	277,898	(543,305)
Benefit payments	<u>(4,069)</u>	<u>(7,069)</u>
Net change in total OPEB liability	645,816	(290,008)
Total OPEB liability - beginning	\$ <u>3,251,665</u>	\$ <u>3,897,481</u>
Total OPEB liability - ending	<u>3,897,481</u>	<u>3,607,473</u>
Covered-employee payroll	\$10,793,894	\$12,026,871
Total OPEB liability as a percentage of covered-employee payroll	36.11%	30.0%

## Contingent Liabilities

The Town Attorney is unaware of any pending litigation or other contingent liabilities with respect to which there is a reasonable expectation of a loss, which could have a substantial adverse impact on the Town’s financial position or its ability to meet its financial obligations.



**APPENDIX B**  
**FINANCIAL STATEMENTS OF THE TOWN**

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## **Management's Discussion and Analysis**

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

### **Financial Highlights**

- The assets and deferred outflows of resources of the Town of Huntersville exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$200,097,554.
- The government's total net position had an increase of \$16,373,606.
- As of the close of the current fiscal year, the Town of Huntersville's governmental funds reported combined ending fund balances of \$77,289,206, with a net increase of \$131,927, in fund balance. Approximately 50.99 percent of this total amount, or \$39,406,541, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$23,357,502, or 39.20 percent, of total General Fund expenditures for the fiscal year.
- The Town of Huntersville holds the following bond ratings:

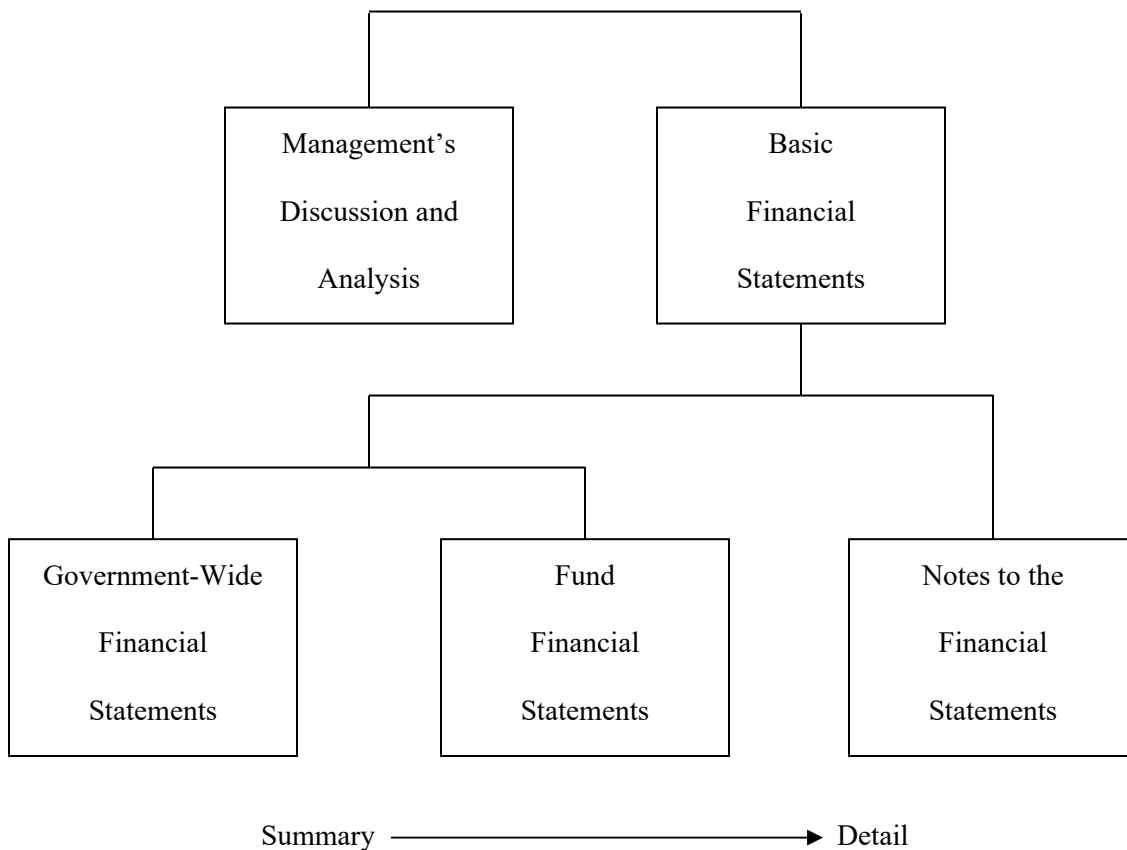
Moody's	Aaa
Standard & Poor's	AAA

### **Overview of the Financial Statements**

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

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

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

The third section of the basic financial statements is the **Notes to the Financial Statements**, which explains in detail some of the data contained in the statements noted above. After the notes, **Supplemental Information** is presented to provide details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in the supplemental information.

## **Government-Wide Financial Statements**

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

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

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include most of the Town's basic services, such as public safety, parks and recreation, community planning and development, and general administration. Property taxes, other taxes, grants, and contributions finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include electric services and Huntersville Family Fitness and Aquatics Center. The final category is the component unit. The Town does not have a component unit.

The government-wide financial statements are on Exhibits 1 and 2 of the basic financial statements.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Huntersville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Huntersville can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Huntersville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The Town of Huntersville has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Huntersville uses enterprise funds to account for its electric operations and the operation of Huntersville Family Fitness and Aquatics Center. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The information reported in the notes to the financial statements provide additional disclosure necessary to have a complete understanding of the data presented in the government-wide financial statements.

**Other Financial Information** – In addition to the basic financial statements and accompanying notes, the report also presents certain required supplementary information for the Law Enforcement Special Separation Allowance. Required supplementary information follows the notes to the financial statements.

**Interdependence with Other Entities** – The Town depends on the financial resources flowing from, or associated with, both Federal government and the state of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with United States Treasury Securities because of actions by foreign governments and other holders of publicly held United States Treasury Securities.

## The Town of Huntersville's Net Position

**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
<b>Assets:</b>						
Current and other assets	\$ 101,579,658	\$ 91,098,993	\$ 6,540,025	\$ 4,985,211	\$ 108,119,683	\$ 96,084,204
Non-current assets	2,048,694	2,369,102	-	9,059	2,048,694	2,378,161
Capital assets	135,124,267	123,111,104	33,095,589	31,822,192	168,219,856	154,933,296
Total assets	<u>238,752,619</u>	<u>216,579,199</u>	<u>39,635,614</u>	<u>36,816,462</u>	<u>278,388,233</u>	<u>253,395,661</u>
<b>Deferred Outflows of Resources</b>						
	<u>9,566,834</u>	<u>7,153,063</u>	<u>22,743</u>	<u>25,586</u>	<u>9,589,577</u>	<u>7,178,649</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	52,647,456	49,037,046	281,696	277,960	52,929,152	49,315,006
Other liabilities	27,445,035	16,980,262	3,220,377	2,962,878	30,665,412	19,943,140
Total liabilities	<u>80,092,491</u>	<u>66,017,308</u>	<u>3,502,073</u>	<u>3,240,838</u>	<u>83,594,564</u>	<u>69,258,146</u>
<b>Deferred Inflows of Resources</b>						
	<u>4,285,692</u>	<u>7,592,216</u>	<u>-</u>	<u>-</u>	<u>4,285,692</u>	<u>7,592,216</u>
<b>Net Position:</b>						
Net investment in capital assets	106,669,945	95,355,063	32,781,900	31,541,616	139,451,845	126,896,679
Restricted	30,642,633	26,403,545	-	-	30,642,633	26,403,545
Unrestricted	26,628,692	28,364,130	3,374,384	2,059,594	30,003,076	30,423,724
Total net position	<u>\$ 163,941,270</u>	<u>\$ 150,122,738</u>	<u>\$ 36,156,284</u>	<u>\$ 33,601,210</u>	<u>\$ 200,097,554</u>	<u>\$ 183,723,948</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Huntersville exceeded liabilities and deferred inflows of resources by \$200,097,554 as of June 30, 2023. The Town's net position increased by \$16,373,606 for the fiscal year ended June 30, 2023. However, a large portion reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Huntersville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Huntersville's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.7%.
- Receipt of ARPA funding (American Rescue Plan Act) of \$4.8 million.
- Increase in local option sales tax over previous year of 7% or \$891,457.

## Town of Huntersville's Changes in Net Position

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,231,132	\$ 3,047,583	\$ 29,650,481	\$ 28,877,482	\$ 32,881,613	\$ 31,925,065
Operating grants and contributions	12,978,041	7,739,681	-	-	12,978,041	7,739,681
Capital grants and contributions	4,860,178	1,534,772	-	-	4,860,178	1,534,772
General revenues:						
Property taxes	26,261,361	25,035,788	-	-	26,261,361	25,035,788
Other taxes	18,349,527	17,279,611	-	-	18,349,527	17,279,611
Other	13,305,228	10,357,378	179,787	17,177	13,485,015	10,374,555
Total revenues	<u>78,985,467</u>	<u>64,994,813</u>	<u>29,830,268</u>	<u>28,894,659</u>	<u>108,815,735</u>	<u>93,889,472</u>
<b>Expenses:</b>						
General government	3,712,266	3,527,710	-	-	3,712,266	3,527,710
Public safety	23,248,346	19,882,181	-	-	23,248,346	19,882,181
Transportation	11,254,567	8,456,221	-	-	11,254,567	8,456,221
Planning	1,768,508	1,423,520	-	-	1,768,508	1,423,520
Public works	18,180,959	18,745,739	-	-	18,180,959	18,745,739
Culture and recreation	5,863,083	3,172,434	-	-	5,863,083	3,172,434
Interest on long-term debt	1,139,206	1,362,333	-	-	1,139,206	1,362,333
Fitness & Aquatics Fund	-	-	4,230,161	3,980,849	4,230,161	3,980,849
Electric	-	-	23,045,033	24,162,727	23,045,033	24,162,727
Total expenses	<u>65,166,935</u>	<u>56,570,138</u>	<u>27,275,194</u>	<u>28,143,576</u>	<u>92,442,129</u>	<u>84,713,714</u>
Change in net position	13,818,532	8,424,675	2,555,074	751,083	16,373,606	9,175,758
Net position, July 1	<u>150,122,738</u>	<u>141,698,063</u>	<u>33,601,210</u>	<u>32,850,127</u>	<u>183,723,948</u>	<u>174,548,190</u>
Net position, June 30	<u>\$ 163,941,270</u>	<u>\$ 150,122,738</u>	<u>\$ 36,156,284</u>	<u>\$ 33,601,210</u>	<u>\$ 200,097,554</u>	<u>\$ 183,723,948</u>

**Governmental Activities.** Governmental activities increased the Town's net position by \$13,818,352. The key element of this increase reflects an increase property receipts in spite of a flat tax rate due to an increase of property tax values of \$530,775,346 or 5.1% and the \$4.8 million in the ARPA funding. In addition to the increase in revenue there was a significant increase in spending largely on the Main Street transportation project of \$1,166,071 and an increase in personnel cost, vehicle purchases and storage facility in Public Safety.

**Business-Type Activities.** Business-type activities increased the Town of Huntersville's net position by \$2,555,074. There was a decrease of \$1,615,447 in the cost of purchase power in the Electric fund due to a rate reduction from the power agency.



## **Financial Analysis of the Town's Funds**

The Town of Huntersville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The Town's annual balanced budget is prepared on the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of the North Carolina General Statutes. The General Fund is the most significant fund budgeted. The focus of the Town of Huntersville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Huntersville's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Huntersville. At the end of the current fiscal year, unassigned fund balance in the General Fund was \$23,357,502 while total fund balance reached \$66,285,670. The Town budgeted to spend \$4,954,636 in fund balance for capital purposes in FY 2023. The Town currently has an available fund balance of 80.1% General Fund expenditures, while total fund balance represents 112.4% of the same amount.

The Town's Grants Fund is a major special revenue fund set up for grant monies that have been legally restricted for specific expenditures. The negative fund balance represents expenditures the Town funded and awaits reimbursement from the North Carolina Department of Transportation. The increase in negative fund balance is due to continued construction on the Main Street Project while awaiting reimbursement from the North Carolina Department of Transportation.

The Bond Fund 2020 is a Major Capital Project Fund. The decrease in fund balance is from the additional work done on several ongoing large projects, like Main Street, Patterson Road extension, and Vance Road.

At June 30, 2023, the governmental funds of the Town of Huntersville reported a combined fund balance of \$77,289,206, a 0.2 percent increase over prior year primarily due to funding multiple transportation, public improvement, park and greenway projects. Included in this change in fund balance is the increase in the General Fund of \$6,613,407, which is a 11.1 percent increase over last year. This increase is partially offset by the 2020 Bond fund capital expenditures of \$4,167,119.

**General Fund Budgetary Highlights:** The Town's annual balanced budget is prepared in the modified accrual basis of accounting in accordance with the Budget and Fiscal Control Act of the North Carolina General Statutes. The General Fund is the most significant fund budgeted. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. The primary changes in fund balance are due to additional funding for greenways, road project and an air filtration system.

**Proprietary Funds.** The Town of Huntersville's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$9,185,307, and those for the Huntersville Fitness and Aquatics Center amounted to (\$5,810,923). The total change in net position for both funds was an increase of \$3,674,888 and a decrease of \$1,119,814, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Huntersville's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Huntersville's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$168,219,856 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles. As required by GASB 34, the Town was required to retroactively report infrastructure assets starting in fiscal years ended June 30, 2007. Figure 4 reflects this reporting requirement.

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

- Buildout of the Town's road network in FY 2023, was approximately \$4,860,178.
- Electric line, transformers and other capital additions totaled \$3,019,542.

### Town of Huntersville's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Land	\$ 29,314,177	\$ 27,517,739	\$ 413,771	\$ 413,771	\$ 29,727,948	\$ 27,931,510
Construction in progress	24,942,204	16,121,206	-	-	24,942,204	16,121,206
Land improvements	5,073,752	5,753,641	7,435	9,077	5,081,187	5,762,718
Buildings	24,559,961	25,170,281	5,529,952	5,803,814	30,089,913	30,974,095
Vehicles	1,444,249	1,600,353	382,961	356,622	1,827,210	1,956,975
Furniture & equipment	2,301,393	2,075,181	457,219	745,469	2,758,612	2,820,650
Infrastructure	46,933,164	44,845,315	-	-	46,933,164	44,845,315
Substations, lines & related equipment	-	-	26,186,965	24,493,439	26,186,965	24,493,439
Computers & software	7,854	27,388	53,675	-	61,529	27,388
Right to use assets	547,513	78,207	63,611	9,059	611,124	87,266
Total	<u>\$ 135,124,267</u>	<u>\$ 123,189,311</u>	<u>\$ 33,095,589</u>	<u>\$ 31,831,251</u>	<u>\$ 168,219,856</u>	<u>\$ 155,020,562</u>

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

**Long-Term Debt.** As of June 30, 2023, the Town of Huntersville had total debt outstanding of \$58,025,801.

### Town of Huntersville's Outstanding Debt Long-Term Debt

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>
General obligation bonds	\$ 27,997,126	\$ 30,475,395	\$ 270,873	\$ 306,605	\$ 28,267,999	\$ 30,782,000
Limited obligation bonds	3,615,000	4,772,000	-	-	3,615,000	4,772,000
Premium on long-term debt	2,144,108	2,530,677	-	-	2,144,108	2,530,677
Direct placement installment purchase	2,938,000	3,253,000	-	-	2,938,000	3,253,000
Lease liabilities	49,153	77,960	15,015	8,616	64,168	86,576
Subscriptions liabilities	486,132	-	50,544	-	536,676	-
Compensated absences	1,135,441	931,989	-	-	1,135,441	931,989
Net pension liability (LGRS)	11,128,281	2,888,528	-	-	11,128,281	2,888,528
Total pension liability (LEOSSA)	4,588,655	5,140,581	-	-	4,588,655	5,140,581
Other post-employment benefits	3,607,473	3,897,481	-	-	3,607,473	3,897,481
Total	<u>\$ 57,689,369</u>	<u>\$ 53,967,611</u>	<u>\$ 336,432</u>	<u>\$ 315,221</u>	<u>\$ 58,025,801</u>	<u>\$ 54,282,832</u>

The Town does not have any remaining authorized non-issued bonds available to be sold.

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town's legal debt margin at the end of the year is approximately \$838,938,032.

Additional information regarding the Town of Huntersville's long-term debt can be found in Note 2 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the Town.

- Local economy continues to benefit in local retail sales as indicated in sales tax distribution exceeding prior year by \$891,457.
- Commercial permits were issued with an estimated amount of \$271,432,000.
- Continued growth in property tax base with Town assessed value greater than \$10.9 billion.
- Commercial development construction of Atom Power expansion, Trinity Capital Advisors, North Creek Village and Northbrook on NC Highway 73.

## **Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities.** The Town Manager's recommended operating budget for the FY 2024 was adopted by the Town Board on June 5, 2023. The FY 2024 operating budget is an approximate 9.1% increase from the prior year adopted budget. Highlights of changes in the Town's General Fund planned expenditures in FY 2024 include use of \$12.0 million in state grant funds largely to provide major capital improvements. The Powell Bill reserves are anticipated to decline \$425,000 to fund increased road maintenance and sidewalks.

In addition to the increase of \$572,650 in the fire department allocation, the Town funded a new Fleet Department to maintain the Town's vehicles, an additional parks and recreation employee to ensure our growing parks and greenway system are clean and safely operating and a Risk Management position to assist in the worker compensation program and safety programs townwide. The Town also expects the solid waste disposal expense to increase by \$703,300.

**Business Activities.** Expenses in the Town's Electric Fund are budgeted at \$30,365,576 which is a 1.1% decrease over the prior year budget primarily due to a decrease in purchase power of \$1,038,900 partially offset by an increase in capital of \$480,325. HFFA (Huntersville Family Fitness and Aquatics) increased slightly with FY 24 budget with an increase of \$115,138.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, Town of Huntersville, PO Box 664, Huntersville, North Carolina 28070.

## **BASIC FINANCIAL STATEMENTS**

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## STATEMENT OF NET POSITION JUNE 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 66,524,452	\$ 8,619,975	\$ 75,144,427
Taxes receivables, net	84,001	-	84,001
Accounts receivable, net	139,598	2,828,064	2,967,662
Lease receivables, current	242,201	-	242,201
Due from other governments	6,164,306	198,276	6,362,582
Internal balances	5,752,521	(5,752,521)	-
Prepaid items	229,853	-	229,853
Inventories	-	317,210	317,210
Cash and cash equivalents - restricted	22,442,726	329,021	22,771,747
Total current assets	<u>101,579,658</u>	<u>6,540,025</u>	<u>108,119,683</u>
Non-current assets:			
Lease receivables, non-current	2,048,694	-	2,048,694
Capital assets:			
Land and construction in progress	54,256,381	413,771	54,670,152
Other capital assets, net of depreciation and amortization	80,867,886	32,681,818	113,549,704
Total capital assets	<u>135,124,267</u>	<u>33,095,589</u>	<u>168,219,856</u>
Total non-current assets	<u>137,172,961</u>	<u>33,095,589</u>	<u>170,268,550</u>
Total assets	<u>238,752,619</u>	<u>39,635,614</u>	<u>278,388,233</u>
<b>Deferred Outflows of Resources:</b>			
Charge of refunding	277,900	22,743	300,643
OPEB deferrals	691,296	-	691,296
Pension deferrals	8,597,638	-	8,597,638
Total deferred outflows of resources	<u>9,566,834</u>	<u>22,743</u>	<u>9,589,577</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	7,649,040	2,836,620	10,485,660
Advances from grantor	13,807,206	-	13,807,206
Liabilities payable from restricted assets	422,054	329,021	751,075
Prepaid rentals	23,182	-	23,182
Prepaid fees	501,640	-	501,640
Due within one year	5,041,913	54,736	5,096,649
Total current liabilities	<u>27,445,035</u>	<u>3,220,377</u>	<u>30,665,412</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Long-term liabilities:			
Due in more than one year	33,327,116	281,696	33,608,812
OPEB liability	3,603,404	-	3,603,404
Net pension liability - LGERS	11,128,281	-	11,128,281
Total pension liability - LEOSSA	4,588,655	-	4,588,655
Total long-term liabilities	<u>52,647,456</u>	<u>281,696</u>	<u>52,929,152</u>
 Total liabilities	 <u>80,092,491</u>	 <u>3,502,073</u>	 <u>83,594,564</u>
 <b>Deferred Inflows of Resources:</b>			
Prepaid taxes	27,886	-	27,886
Prepaid donations	28,706	-	28,706
Lease deferrals	2,254,137	-	2,254,137
OPEB deferrals	990,411	-	990,411
Pension deferrals	984,552	-	984,552
Total deferred inflows of resources	<u>4,285,692</u>	<u>-</u>	<u>4,285,692</u>
 <b>Net Position:</b>			
Net investment in capital assets	106,669,945	32,781,900	139,451,845
Restricted:			
Stabilization by state statute	20,179,739	-	20,179,739
Streets - Powell Bill	1,264,609	-	1,264,609
Future capital projects	1,435,938	-	1,435,938
Tourism tax	3,801,456	-	3,801,456
Stormwater projects	3,960,891	-	3,960,891
Unrestricted	<u>26,628,692</u>	<u>3,374,384</u>	<u>30,003,076</u>
 Total net position	 <u>\$ 163,941,270</u>	 <u>\$ 36,156,284</u>	 <u>\$ 200,097,554</u>

*The accompanying notes are an integral part of the financial statements.*

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 3,712,266	\$ 160,245	\$ -	\$ -
Transportation	11,254,567	999,652	3,675,165	-
Planning	1,768,508	90,066	29,545	-
Public safety	23,248,346	24,848	5,598,409	-
Public works	18,180,959	817,202	3,634,586	4,860,178
Cultural and recreation	5,863,083	1,139,119	40,336	-
Interest on long-term debt	1,139,206	-	-	-
Total governmental activities	<u>65,166,935</u>	<u>3,231,132</u>	<u>12,978,041</u>	<u>4,860,178</u>
<b>Business-Type Activities:</b>				
Electric Fund	23,045,033	26,540,134	-	-
Huntersville Family Fitness and Aquatic Fund	<u>4,230,161</u>	<u>3,110,347</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>27,275,194</u>	<u>29,650,481</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 92,442,129</u>	<u>\$ 32,881,613</u>	<u>\$ 12,978,041</u>	<u>\$ 4,860,178</u>

The accompanying notes are an integral part of the financial statements.



# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ (3,552,021)	\$ -	\$ (3,552,021)
Transportation	(6,579,750)	-	(6,579,750)
Planning	(1,648,897)	-	(1,648,897)
Public safety	(17,625,089)	-	(17,625,089)
Public works	(8,868,993)	-	(8,868,993)
Cultural and recreation	(4,683,628)	-	(4,683,628)
Interest on long-term debt	(1,139,206)	-	(1,139,206)
Total governmental activities	<u>(44,097,584)</u>	<u>-</u>	<u>(44,097,584)</u>
<b>Business-Type Activities:</b>			
Electric Fund	-	3,495,101	3,495,101
Huntersville Family Fitness and Aquatic Fund	<u>-</u>	<u>(1,119,814)</u>	<u>(1,119,814)</u>
Total business-type activities	<u>-</u>	<u>2,375,287</u>	<u>2,375,287</u>
Total primary government	<u>(44,097,584)</u>	<u>2,375,287</u>	<u>(41,722,297)</u>
<b>General Revenues:</b>			
Taxes:			
Ad valorem taxes	26,261,361	-	26,261,361
Local option sales tax	13,841,410	-	13,841,410
Other taxes	4,508,117	-	4,508,117
Unrestricted intergovernmental revenues	8,732,164	-	8,732,164
Investments earnings	3,233,144	180,148	3,413,292
Miscellaneous	1,339,920	(361)	1,339,559
Total general revenues	<u>57,916,116</u>	<u>179,787</u>	<u>58,095,903</u>
Change in net position	13,818,532	2,555,074	16,373,606
<b>Net Position:</b>			
Beginning of year - July 1	<u>150,122,738</u>	<u>33,601,210</u>	<u>183,723,948</u>
End of year - June 30	<u>\$ 163,941,270</u>	<u>\$ 36,156,284</u>	<u>\$ 200,097,554</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<b>General Fund</b>	<b>Grants Fund</b>	<b>Bond Fund 2020</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Assets:</b>					
Cash and cash investments	\$ 60,717,097	\$ -	\$ -	\$ 5,807,355	\$ 66,524,452
Taxes receivable, net	84,001	-	-	-	84,001
Accounts receivable, net	2,399	-	-	137,199	139,598
Lease receivables	2,290,895	-	-	-	2,290,895
Due from other governments	4,565,068	1,599,238	-	-	6,164,306
Due from other funds	7,954,170	-	-	-	7,954,170
Prepaid items	219,466	-	-	10,387	229,853
Restricted cash and cash equivalents	12,313,518	1,631,911	8,497,297	-	22,442,726
Total assets	<u>\$ 88,146,614</u>	<u>\$ 3,231,149</u>	<u>\$ 8,497,297</u>	<u>\$ 5,954,941</u>	<u>\$ 105,830,001</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 6,606,803	\$ 727,128	\$ -	\$ 231,668	\$ 7,565,599
Due to other funds	-	2,201,649	-	-	2,201,649
Prepaid rentals	23,182	-	-	-	23,182
Prepaid fees	501,640	-	-	-	501,640
Advances from grantor	12,175,295	1,631,911	-	-	13,807,206
Payable from restricted assets	100,631	-	321,423	-	422,054
Total liabilities	<u>19,407,551</u>	<u>4,560,688</u>	<u>321,423</u>	<u>231,668</u>	<u>24,521,330</u>
<b>Deferred Inflows of Resources:</b>					
Taxes receivable	84,001	-	-	-	84,001
Solid waste receivable	2,315	-	-	-	2,315
Lease deferral	2,254,137	-	-	-	2,254,137
Unavailable revenue	56,348	1,566,072	-	-	1,622,420
Prepaid taxes	27,886	-	-	-	27,886
Prepaid donations	28,706	-	-	-	28,706
Total deferred inflows of resources	<u>2,453,393</u>	<u>1,566,072</u>	<u>-</u>	<u>-</u>	<u>4,019,465</u>
<b>Fund Balances:</b>					
<b>Non-Spendable:</b>					
Prepays	219,466	-	-	10,387	229,853
Leases	36,758	-	-	-	36,758
<b>Restricted:</b>					
Stabilization by state statute	18,797,448	33,166	-	1,349,125	20,179,739
Streets - Powell Bill	1,264,609	-	-	-	1,264,609
Future capital projects	1,757,361	-	8,175,874	-	9,933,235
Tourism tax	3,801,456	-	-	-	3,801,456
Stormwater projects	3,960,891	-	-	-	3,960,891
<b>Committed:</b>					
Debt service	2,012,365	-	-	-	2,012,365
Capital projects	10,041,535	-	-	472,198	10,513,733
<b>Assigned:</b>					
Emergency services	321,279	-	-	-	321,279
Transportation	-	-	-	2,201,267	2,201,267
Land development	-	-	-	962,284	962,284
Commerce station	-	-	-	728,012	728,012
Subsequent year's expenditures	715,000	-	-	-	715,000
<b>Unassigned:</b>	<u>23,357,502</u>	<u>(2,928,777)</u>	<u>-</u>	<u>-</u>	<u>20,428,725</u>
Total fund balances	<u>66,285,670</u>	<u>(2,895,611)</u>	<u>8,175,874</u>	<u>5,723,273</u>	<u>77,289,206</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 88,146,614</u>	<u>\$ 3,231,149</u>	<u>\$ 8,497,297</u>	<u>\$ 5,954,941</u>	<u>\$ 105,830,001</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<u><b>Total</b></u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total fund balance	\$ 77,289,206
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	135,124,267
Deferred outflows of resources related to pensions are not reported in the funds.	8,597,638
Deferred outflows of resources related to OPEB are not reported in the funds.	691,296
Deferred outflows of resources related to charge on refunding	277,900
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(37,229,519)
Accrued interest	(83,441)
Compensated absences	(1,135,441)
Net pension liability	(11,128,281)
Total pension liability	(4,588,655)
OPEB liability	(3,607,473)
Deferred inflows of resources related to pensions are not reported in the funds.	(984,552)
Deferred inflows of resources related to OPEB are not reported in the funds.	(990,411)
Deferred inflows of resources for taxes receivable	84,001
Deferred inflows of resources for unavailable revenue	1,622,420
Deferred inflows of resources for solid waste receivable	<u>2,315</u>
Net position of governmental activities	<u>\$ 163,941,270</u>

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF HUNTERSVILLE, NORTH CAROLINA

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Grants Fund	Bond Fund 2020	Other Governmental Funds	Total
<b>Revenues:</b>					
Ad valorem taxes	\$ 25,864,942	\$ -	\$ -	\$ 401,380	\$ 26,266,322
Other taxes	18,349,527	-	-	-	18,349,527
Unrestricted intergovernmental revenues	8,732,164	-	-	-	8,732,164
Restricted intergovernmental revenues	2,373,245	10,368,634	-	-	12,741,879
Permits and fees	1,414,278	-	-	999,652	2,413,930
Land development fees	-	-	-	817,202	817,202
Investment earnings	2,703,080	-	361,634	168,430	3,233,144
Miscellaneous	1,335,808	7,865	-	-	1,343,673
Total revenues	<u>60,773,044</u>	<u>10,376,499</u>	<u>361,634</u>	<u>2,386,664</u>	<u>73,897,841</u>
<b>Expenditures:</b>					
Current:					
General government	4,185,081	-	-	283,000	4,468,081
Transportation	258,844	6,877,862	-	1,640,066	8,776,772
Planning	1,664,565	-	-	-	1,664,565
Public safety	21,186,695	133,088	-	-	21,319,783
Public works	21,500,602	-	4,167,119	758,081	26,425,802
Cultural and recreation	6,173,662	71,681	-	309,200	6,554,543
Debt service:					
Principal	3,714,097	-	-	380,000	4,094,097
Interest	902,224	-	-	161,200	1,063,424
Total expenditures	<u>59,585,770</u>	<u>7,082,631</u>	<u>4,167,119</u>	<u>3,531,547</u>	<u>74,367,067</u>
Revenues over (under) expenditures	<u>1,187,274</u>	<u>3,293,868</u>	<u>(3,805,485)</u>	<u>(1,144,883)</u>	<u>(469,226)</u>
<b>Other Financing Sources (Uses):</b>					
Lease liability issued	18,150	-	-	-	18,150
Subscription liability issued	583,003	-	-	-	583,003
Transfer from other funds	4,824,980	(4,824,980)	-	-	-
Refunding bonds issued	4,242,864	-	-	-	4,242,864
Payment to escrow agent	(4,242,864)	-	-	-	(4,242,864)
Total other financing sources (uses)	<u>5,426,133</u>	<u>(4,824,980)</u>	<u>-</u>	<u>-</u>	<u>601,153</u>
Net change in fund balances	6,613,407	(1,531,112)	(3,805,485)	(1,144,883)	131,927
<b>Fund Balances:</b>					
Beginning of year - July 1	<u>59,672,263</u>	<u>(1,364,499)</u>	<u>11,981,359</u>	<u>6,868,156</u>	<u>77,157,279</u>
End of year - June 30	<u>\$ 66,285,670</u>	<u>\$ (2,895,611)</u>	<u>\$ 8,175,874</u>	<u>\$ 5,723,273</u>	<u>\$ 77,289,206</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b><u>Total Governmental Funds</u></b>
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different due to the following items:	
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 131,927
Governmental funds report capital outlays requirements as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal.	
Capital outlay	17,625,715
Depreciation and amortization	(5,687,203)
Net book value of disposed capital assets	(3,556)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund.	231,004
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.	13,136
Deferred charge related to refunding	(88,918)
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal payments on long-term debt, debt proceeds, lease issuance, subscription issuance, and amortization of premium	3,879,513
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(203,452)
Pension expense	(1,731,080)
OPEB plan expense	(348,554)
Change in net position	<u>\$ 13,818,532</u>

*The accompanying notes are an integral part of the financial statements.*

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
<b>Revenues:</b>				
Ad valorem taxes	\$ 24,696,138	\$ 24,696,137	\$ 25,864,942	\$ 1,168,805
Other taxes and licenses	15,733,450	16,733,450	18,349,527	1,616,077
Unrestricted intergovernmental	8,030,000	8,030,000	8,732,164	702,164
Restricted intergovernmental	2,353,525	2,353,525	2,373,245	19,720
Permits and fees	1,274,601	1,276,001	1,414,278	138,277
Investment earnings	50,000	115,000	2,703,080	2,588,080
Miscellaneous	822,340	986,651	1,335,808	349,157
Total revenues	52,960,054	54,190,764	60,773,044	6,582,280
<b>Expenditures:</b>				
Current:				
General government	4,377,745	5,819,832	4,185,081	1,634,751
Transportation	290,770	355,412	258,844	96,568
Planning	1,727,325	2,055,540	1,664,565	390,975
Public safety	22,365,190	23,708,195	21,186,695	2,521,500
Public works	25,181,903	43,503,767	21,500,602	22,003,165
Cultural and recreation	7,003,503	8,773,017	6,173,662	2,599,355
Debt service:				
Principal	3,589,591	3,716,799	3,714,097	2,702
Interest	902,224	902,224	902,224	-
Total expenditures	65,438,251	88,834,786	59,585,770	29,249,016
Revenues over (under) expenditures	(12,478,197)	(34,644,022)	1,187,274	35,831,296
<b>Other Financing Sources (Uses):</b>				
Transfers in	4,809,066	4,824,980	4,824,980	-
Transfers (out)	-	-	-	-
Subscription liability issued	-	18,150	18,150	-
Lease liability issued	-	583,003	583,003	-
Refunding bonds issued	-	4,242,864	4,242,864	-
Escrow paid to agent	-	(4,242,864)	(4,242,864)	-
Appropriated fund balance	7,669,131	29,217,889	-	(29,217,889)
Total other financing sources (uses)	12,478,197	34,644,022	5,426,133	(29,217,889)
Net change in fund balance	\$ -	\$ -	6,613,407	\$ 6,613,407
<b>Fund Balance:</b>				
Beginning of year - July 1			59,672,263	
End of year - June 30			\$ 66,285,670	

The accompanying notes are an integral part of the financial statements.

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**GENERAL FUND AND ANNUALLY BUDGETED  
MAJOR SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Grants Special Revenue Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Revenues:				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	21,469,522	10,368,634	(11,100,888)
Permits and fees	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	15,913	7,865	(8,048)
Total revenues	-	21,485,435	10,376,499	(11,108,936)
Expenditures:				
Current:				
General government	-	1	-	1
Transportation	-	15,152,269	6,877,862	8,274,407
Planning	-	-	-	-
Public safety	-	430,417	133,088	297,329
Public works	-	-	-	-
Cultural and recreation	-	292,248	71,681	220,567
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	15,874,935	7,082,631	8,792,304
Revenues over (under) expenditures	-	5,610,500	3,293,868	(2,316,632)
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers (out)	-	(5,610,500)	(4,824,980)	785,520
Subscription liability issued	-	-	-	-
Lease liability issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Escrow paid to agent	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	(5,610,500)	(4,824,980)	785,520
Net change in fund balance	\$ -	\$ -	(1,531,112)	\$ (1,531,112)
Fund Balance:				
Beginning of year - July 1			(1,364,499)	
End of year - June 30			\$ (2,895,611)	

*The accompanying notes are an integral part of the financial statements.*

## TOWN OF HUNTERSVILLE, NORTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
		Huntersville Family Fitness and Aquatics Fund	
	Electric Fund		Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,619,279	\$ 696	\$ 8,619,975
Restricted cash	329,021	-	329,021
Accounts receivable	2,706,391	121,673	2,828,064
Due from other governments	198,276	-	198,276
Inventories	317,210	-	317,210
Total current assets	<u>12,170,177</u>	<u>122,369</u>	<u>12,292,546</u>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	413,771	-	413,771
Other capital assets, net of depreciation and amortization	<u>26,706,290</u>	<u>5,975,528</u>	<u>32,681,818</u>
Total non-current assets	<u>27,120,061</u>	<u>5,975,528</u>	<u>33,095,589</u>
Total assets	<u>39,290,238</u>	<u>6,097,897</u>	<u>45,388,135</u>
<b>Deferred Outflows of Resources:</b>			
Charge of refunding	<u>-</u>	<u>22,743</u>	<u>22,743</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued liabilities	2,655,849	180,771	2,836,620
Due to other funds	-	5,752,521	5,752,521
Liabilities payable from restricted assets	329,021	-	329,021
Current portion of long-term debt	<u>4,017</u>	<u>50,719</u>	<u>54,736</u>
Total current liabilities	<u>2,988,887</u>	<u>5,984,011</u>	<u>8,972,898</u>
Non-current liabilities:			
Non-current portion of long-term debt	<u>9,026</u>	<u>272,670</u>	<u>281,696</u>
Total liabilities	<u>2,997,913</u>	<u>6,256,681</u>	<u>9,254,594</u>
<b>Net Position:</b>			
Net investment in capital assets	27,107,018	5,674,882	32,781,900
Unrestricted	<u>9,185,307</u>	<u>(5,810,923)</u>	<u>3,374,384</u>
Total net position	<u>\$ 36,292,325</u>	<u>\$ (136,041)</u>	<u>\$ 36,156,284</u>

The accompanying notes are an integral part of the financial statements.



## TOWN OF HUNTERSVILLE, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Electric Fund	Huntersville Family Fitness and Aquatics Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 24,961,456	\$ 1,447,310	\$ 26,408,766
Other operating revenues	1,578,678	1,663,037	3,241,715
Total operating revenues	26,540,134	3,110,347	29,650,481
<b>Operating Expenses:</b>			
Electric operations	3,817,055	-	3,817,055
Electric power purchases	17,737,330	-	17,737,330
Family fitness and aquatics operations	-	3,600,957	3,600,957
Depreciation and amortization	1,490,590	619,929	2,110,519
Total operating expenses	23,044,975	4,220,886	27,265,861
Operating income (loss)	3,495,159	(1,110,539)	2,384,620
<b>Non-Operating Revenues:</b>			
Investment earnings	180,148	-	180,148
Gain (loss) on disposal of asset	(361)	-	(361)
Interest and other charges	(58)	(9,275)	(9,333)
Total non-operating revenues (expenses)	179,729	(9,275)	170,454
Change in net position	3,674,888	(1,119,814)	2,555,074
<b>Net Position:</b>			
Beginning of year - July 1	32,617,437	983,773	33,601,210
End of year - June 30	\$ 36,292,325	\$ (136,041)	\$ 36,156,284

The accompanying notes are an integral part of the financial statements.

## TOWN OF HUNTERSVILLE, NORTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities Enterprise Funds		
	Electric Fund	Huntersville Family Fitness and Aquatics Fund	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 25,768,245	\$ 1,992,973	\$ 27,761,218
Cash paid to employees	(1,742,692)	-	(1,742,692)
Cash paid for goods and services	(19,743,257)	(3,551,793)	(23,295,050)
Other operating revenues	1,543,645	1,663,037	3,206,682
Net cash provided (used) by operating activities	5,825,941	104,217	5,930,158
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(3,254,412)	(39,299)	(3,293,711)
Principal payments on long-term debt	(4,297)	(55,402)	(59,699)
General obligation bond issued	-	279,136	279,136
Retired long-term debt	-	(279,136)	(279,136)
Interest and other charges	(58)	(9,517)	(9,575)
Net cash provided (used) by capital and related financing activities	(3,258,767)	(104,218)	(3,362,985)
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	180,148	-	180,148
Net increase (decrease) in cash and cash equivalents	2,747,322	(1)	2,747,321
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	6,200,978	697	6,201,675
End of year - June 30	\$ 8,948,300	\$ 696	\$ 8,948,996
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities:</b>			
Operating income (loss)	\$ 3,495,159	\$ (1,110,539)	\$ 2,384,620
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,490,590	619,929	2,110,519
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	827,796	545,663	1,373,459
(Increase) decrease in due from other governments	(34,672)	-	(34,672)
(Increase) decrease in inventories	(146,364)	-	(146,364)
(Increase) decrease in prepaid items	-	84	84
(Increase) decrease in deferred charges on refunding	-	2,843	2,843
Increase (decrease) in accounts payable and accrued liabilities	214,439	51,747	266,186
Increase (decrease) in unearned revenues	-	(5,510)	(5,510)
Increase (decrease) in customer deposits	(21,007)	-	(21,007)
Total adjustments	2,330,782	1,214,756	3,545,538
Net cash provided (used) by operating activities	\$ 5,825,941	\$ 104,217	\$ 5,930,158
<b>Non-Cash Transactions:</b>			
Right to use asset acquired in exchange for a liability	\$ 14,060	\$ 67,447	\$ 81,507

The accompanying notes are an integral part of the financial statements.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Huntersville (the "Town") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### A. Reporting Entity

The Town is a municipal corporation that is governed by an elected Mayor and a six-member Board of Commissioners. The financial statements of the Town have been prepared in conformity with generally accepted accounting principles as applied to governmental units.

#### B. Basis of Presentation

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

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

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

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

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

The Town reports the following major governmental funds:

### **Governmental Funds**

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, intergovernmental revenues, and other taxes and licenses. The primary expenditures are for public safety, public works, cultural and recreation, and general governmental services.

**Grants Special Revenue Fund.** The Grants Special Revenue Fund is legally restricted to expenditures for specified purposes. These funds are grant monies to be used for specific purposes.

**Bond Fund 2020 Capital Project Fund.** The Bond Fund 2020 Capital Project Fund is used to account for the for the transportation projects in the Town which include the purchase of right of way, design and engineering of transportation projects including construction of roadways, curb and gutter and streetscapes.

The Town reports the following nonmajor governmental funds:

**Capital Projects Funds.** The capital projects funds account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by the proprietary funds). The Town has three capital projects funds: a General Capital Projects Fund and two individual funds to account for capital projects funded by bond proceeds. The individual bond funds are Bond Fund 2013, and Bond Fund 2016.

**Special Revenue Funds.** The special revenue funds account for collections of revenues to be used only for a specific project or purpose. The Town has three special revenue funds. The Transportation Reserve Fund is used to account for the yearly vehicle fees used to fund transportation improvements and debt service on the improvements. The Land Development Fund is used to account for revenues and expenses associated with permits and fees related to development services. The Commerce Station Fund is used to account for the related taxes and revenues of the regional business park to be used for costs and operations of the park.

The Town reports the following major enterprise funds:

**Electric Fund.** This fund is used to account for the Town's electric utility operations.

**Huntersville Family Fitness and Aquatics Fund.** This fund is used to account for the Town's fitness and aquatics center.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Town 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 and 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 Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/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. Proceeds of general long-term debt and acquisitions under leases and IT subscriptions are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the state at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Mecklenburg County and then remitted to and distributed by the state. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town 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 Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the special revenue funds, and the enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total revenues of any kind or that change functional appropriations. These amendments must also be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

As required by state law [G.S. 159-26(d)], the Town maintains encumbrance accounts which are considered to be "Budgetary Accounts". Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed.

During the fiscal year, the Town's General Fund and other governmental funds are operated and managed on a budgetary basis that differs from the modified accrual basis of accounting that is used to prepare governmental fund financial statements. The differences between the budgetary basis and fund financial statements are due to debt service payments budgeted within specific departments, the recognition of encumbrances on the budgetary basis, and capital lease obligations incurred.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

#### **Deposits and Investments**

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

State law [G.S. 159-30] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, an SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented with a maturity of less than 6 months.

#### **Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

#### **Restricted Cash**

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. Powell Bill funds are \$1,670,569 at June 30, 2023. Cash for future capital projects in general government, transportation/town center operations, public works and cultural and recreation totaling \$10,641,175 is restricted. Cash from unspent debt proceeds totals \$8,497,297. Cash from advanced from grantors total \$1,631,911. Rent deposits for customers of \$1,774, held by the Town are restricted. Customer deposits of \$329,021, held by the Town before any services are supplied, are restricted to the service for which the deposit was collected.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Governmental Activities:

General government	\$ 3,389,272
Public works	14,306,252
Cultural and recreation	<u>4,747,202</u>
Total governmental activities	<u>22,442,726</u>

### Business-Type Activities:

Electric Fund:	
Customer deposits	<u>329,021</u>
Total restricted cash	<u>\$ 22,771,747</u>

Restricted net position of \$18,960,191 at June 30, 2023, include \$8,174,100 to be used for capital projects, \$3,960,891 to be used for stormwater projects, tourism tax balance of \$3,801,456, escrow balances of \$19,278 for improvements at Bud Henderson, \$235,407 for improvements to Northcross Drive, EPCON \$17,430, Greenway/Holbrooks \$25,000, \$613,775 for Bond Administration, NCCMT \$12,583, \$161,747 for the construction of sidewalks and/or bike lane at Stephens Ridge, \$28,077 for construction of sidewalks at SouthLake Christian, and United Community Bank of \$644,064.

Rent deposits classified as restricted net position is \$1,774. Powell Bill funds classified as restricted net position is \$1,264,609. The difference in the restricted cash balance and restricted fund balance for Powell Bill is accounts payable from the restricted assets for \$98,857 and encumbrances for Powell Bill for \$307,103.

### Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1, (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. Mecklenburg County and the Town of Huntersville do not allow discounts on ad valorem taxes on property.

### Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on historical experience and current conditions.



# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Lease Receivable**

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. 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.

### **Inventories and Prepaid Items**

Inventories of the Town are valued at cost. The cost of these inventories is recorded as an expense as the inventories are consumed.

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

### **Capital Assets**

Capital assets are defined by the Town as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization cost used by the Town is \$5,000. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2002, consisting of roads, sidewalks, and curb and gutter are included in the accompanying June 30, 2023, financial statements. Infrastructure assets that were acquired or that received substantial improvements subsequent to July 1, 2002, are reported at cost or estimated fair value at time of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets, including assets recorded under capital leases, are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Streets and roads	30 years
Buildings	40 years
Land improvements	15 years
Vehicles	5 years
Furniture and equipment	5 to 8 years
Computer equipment	3 years

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Right to Use Assets**

The Town has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

The Town has recorded the right-to-use subscription assets related to subscription-based information technology arrangements (SBITAs) as a result of implementing GASB 96. The right to use subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus payments made to the SBITA vendor before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The right-to-use subscription assets are amortized on a straight-line basis over the life of the related SBITA.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position may sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as revenue or expenditure until then. The Town has three items that meet this criteria, pension and OPEB deferrals and deferred charge related to refunding. In addition to liabilities, the Statement of Net Position may also 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 a future period and so will not be recognized as revenue until then. The Town has several items that meet the criteria, prepaid taxes, prepaid donations, deferral of pension expense, OPEB deferrals, lease deferrals, solid waste receivable, unavailable revenues, and taxes receivable.

### **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 discounts. Bond issuance costs, except prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance cost is 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 withheld from the actual debt proceeds received, are reported as debt service expenditures.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Compensated Absences**

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

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2023, amounted to approximately \$4,300,653. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

### **Net Position**

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

### **Fund Balances**

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

#### **Non-Spendable Fund Balance**

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

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

*Leases* – portion of fund balance that is not an available resource because it represents the year-end balance of lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by state 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 non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

*Restricted for Streets – Powell Bill* – portion of fund balance that is available for appropriation, but legally segregated for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds less amounts to be paid from restricted assets.

*Restricted for Future Capital Projects* – portion of fund balance restricted by revenue source for future capital projects.

*Restricted for Tourism Tax* – portion of fund balance derived from hotel/motel tax legally restricted.

*Restricted for Stormwater Projects* – portion of fund balance restricted by revenue source for future stormwater projects.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unspent debt proceeds of \$8,497,297, as of June 30, 2023.

Restricted fund balance for streets, tourism tax, and stormwater varies by amounts to be paid from restricted assets and amounts restricted by stabilization of state statutes for restricted purposes.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Committed Fund Balance**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Commissioners is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Committed for Debt Service* – portion of fund balance committed for debt service.

*Committed for Capital Projects* – portion of fund balance committed for capital projects.

### **Assigned Fund Balance**

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Town Manager and Finance Officer, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body (Council) approves the appropriation; however, the budget ordinance authorizes the Manager and Finance Officer to make certain modifications without requiring Board approval.

*Assigned for Emergency Services* – portion of fund balance that has been budgeted by the Board for activities related to emergency service projects.

*Assigned for Transportation* – portion of fund balance that has been budgeted by the Board for activities related to transportation projects.

*Assigned for Land Development* – portion of fund balance that has been budgeted by the Board for activities related to land development services.

*Assigned for Commerce Station* – portion of fund balance that has been budgeted by the Board for activities related to the regional business park for costs and operations.

### **Unassigned Fund Balance**

Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The Town has also adopted a minimum fund balance policy for the General Fund, which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 40% of the general operating budget, excluding the Hotel-Prepared Food Fund, Powell Bill Fund, and Stormwater Fund. Funds in excess of 40% of the current year original budget appropriation shall be earmarked for capital reserve purposes.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation.

Total fund balance - General Fund	\$ 66,285,670
<b>Less:</b>	
Prepays	219,466
Leases	36,758
Stabilization by state statute	18,797,448
Total available fund balance	<u>\$ 47,268,756</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

	<b>General Fund</b>	<b>Bond Fund 2020</b>	<b>Electric Fund</b>	<b>Land Development Fund</b>	<b>Transportation Reserve Fund</b>
Encumbrances	<u>\$ 6,334,474</u>	<u>\$ 1,953,835</u>	<u>\$ 1,254,223</u>	<u>\$ 44,995</u>	<u>\$ 1,166,931</u>

### F. Revenues, Expenditures, and Expenses

#### Payments in Lieu of Annexation

During 1996 and 2000, the Town entered into agreements with Duke Energy. The agreements provide that the Town will not annex Duke Energy's McGuire Nuclear Station property until December 31, 2042, and Duke Energy agreed to make payments in lieu of annexation. The payments, which were in lieu of the taxes that would be due the Town if the McGuire Nuclear Station property had been annexed, continued through fiscal year 2004.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **G. Uses of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

### **H. Defined Benefit Cost – Sharing Plan**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERs) and additions to/deductions from LGERs' fiduciary net position have been determined on the same basis as they are reported by LGERs. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Huntersville's employer contributions are recognized when due and the Town of Huntersville 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.

## **2. Detail Notes on All Funds**

### **A. Assets**

#### **Deposits**

All the deposits of the Town 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 Town's agents in its name. 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 Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards on minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

At June 30, 2023, the Town's deposits had a carrying amount of \$11,991,463 and a bank balance of \$13,195,689. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and the remaining amount was covered by collateral held under the Pooling Method. The Town utilizes a government advantage account at the end of each month, a net balance is calculated, and interest is applied. At year-end, the Town had \$1,700 cash on hand.

### **Investments**

At June 30, 2023, the Town's had \$85,923,011 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAA-mf by Moody's Investor Service.

*Interest Rate Risk.* As a means of limiting the Town's exposure to fair value losses arising from rising interest rates, the Town investment policy recommends diversification by investing in securities with varying maturities. Also, the Town continuously invests a portion of its portfolio in readily available funds such as a mutual fund for local government investment certified by the Local Government Commission pursuant to G.S. 159-30(c)(8), currently The North Carolina Capital Management Trust.

*Credit Risk.* The Town has a formal policy regarding credit risk which states that the Town limits investments to avoid over-concentration in securities from a specific issuer or business sector (excluding United States Treasury securities) and limit investment in securities that have higher credit risk. The Town's investment in the North Carolina Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023.

*Concentration of Credit Risk.* The Town places a limit for commercial paper that is no more than 5% of the Town's total investment portfolio may be concentrated with one issuer and issuers with at least one long-term rating are preferred.



# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Receivables

Receivables at the government-wide level at June 30, 2023, were as follows:

	<u>Taxes</u>	<u>Accounts</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
Total receivables	\$ 246,036	\$ 174,814	\$ 6,164,306	\$ 6,585,156
Allowance for doubtful accounts	<u>(162,035)</u>	<u>(35,216)</u>	<u>-</u>	<u>(197,251)</u>
Total governmental activities	<u>\$ 84,001</u>	<u>\$ 139,598</u>	<u>\$ 6,164,306</u>	<u>\$ 6,387,905</u>
<b>Business-Type Activities:</b>				
Electric Fund	\$ -	\$ 2,755,864	\$ 198,276	\$ 2,954,140
Family Fitness and Aquatics Fund	<u>-</u>	<u>121,673</u>	<u>-</u>	<u>121,673</u>
Total receivables	-	2,877,537	198,276	3,075,813
Allowance for doubtful accounts	<u>-</u>	<u>(49,473)</u>	<u>-</u>	<u>(49,473)</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 2,828,064</u>	<u>\$ 198,276</u>	<u>\$ 3,026,340</u>

Due from other governments that is owed to the Town consists of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 2,241,435
Utilities franchise tax	620,000
Federal and state grants	1,599,238
All other (sales tax, County tax collections, etc.)	<u>1,703,633</u>
	6,164,306
<b>Business-Type Activities:</b>	
Sales tax	<u>198,276</u>
Total	<u>\$ 6,362,582</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Lease Receivables

On July 1, 2021, Huntersville, North Carolina entered into a 171-month lease as lessor for the use of Richard Barry Park. An initial lease receivable was recorded in the amount of \$2,528,330. As of June 30, 2023, the value of the lease receivable is \$2,210,174. The lessee is required to make monthly fixed payments of \$16,667. The lease has an interest rate of 1.8030%. The value of the deferred inflow of resources as of June 30, 2023, was \$2,173,892, and Huntersville, North Carolina recognized lease revenue of \$177,219 during the fiscal year.

On July 1, 2021, Huntersville, North Carolina entered into a 36-month lease as lessor for the use of 11316 Sam Furr Road. An initial lease receivable was recorded in the amount of \$240,736. As of June 30, 2023, the value of the lease receivable is \$80,721. The lessee is required to make annual fixed payments of \$81,244. The lease has an interest rate of 0.6480%. The value of the deferred inflow of resources as of June 30, 2023, was \$80,245, and Huntersville, North Carolina recognized lease revenue of \$80,245 during the fiscal year.

Year Ending June 30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 242,201	\$ 39,042	\$ 281,243
2025	164,416	35,584	200,000
2026	167,405	32,595	200,000
2027	170,449	29,551	200,000
2028	173,547	26,452	199,999
2029-2033	916,226	83,774	1,000,000
2034-2037	456,651	10,016	466,667
Total	<u>\$ 2,290,895</u>	<u>\$ 257,014</u>	<u>\$ 2,547,909</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Capital Assets

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

	Balance <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2023</u>
<b>Governmental Activities:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 27,517,739	\$ 1,796,438	\$ -	\$ 29,314,177
Construction in progress	<u>16,121,206</u>	<u>8,820,998</u>	<u>-</u>	<u>24,942,204</u>
Total non-depreciable capital assets	<u>43,638,945</u>	<u>10,617,436</u>	<u>-</u>	<u>54,256,381</u>
<b>Depreciable Capital Assets:</b>				
Land improvements	12,819,114	179,954	-	12,999,068
Buildings	34,535,371	256,266	-	34,791,637
Vehicles	9,926,817	455,150	-	10,381,967
Equipment	6,801,721	655,578	-	7,457,299
Software	308,177	-	-	308,177
Road network	<u>82,926,847</u>	<u>4,860,178</u>	<u>-</u>	<u>87,787,025</u>
Total depreciable capital assets	<u>147,318,047</u>	<u>6,407,126</u>	<u>-</u>	<u>153,725,173</u>
<b>Right to Use Assets:</b>				
Leased equipment	120,927	18,150	(13,498)	125,579
Subscriptions	<u>-</u>	<u>583,003</u>	<u>-</u>	<u>583,003</u>
Total right to use assets	<u>120,927</u>	<u>601,153</u>	<u>(13,498)</u>	<u>708,582</u>
<b>Less Accumulated Depreciation:</b>				
Land improvements	7,065,473	859,843	-	7,925,316
Buildings	9,365,090	866,586	-	10,231,676
Vehicles	8,326,464	611,254	-	8,937,718
Equipment	4,726,540	429,366	-	5,155,906
Software	280,789	19,534	-	300,323
Road network	<u>38,081,532</u>	<u>2,772,329</u>	<u>-</u>	<u>40,853,861</u>
Total accumulated depreciation	<u>67,845,888</u>	<u>5,558,912</u>	<u>-</u>	<u>73,404,800</u>
<b>Less Accumulated Amortization:</b>				
Leased equipment	42,720	42,687	(9,942)	75,465
Subscriptions	<u>-</u>	<u>85,604</u>	<u>-</u>	<u>85,604</u>
Total accumulated amortization	<u>42,720</u>	<u>128,291</u>	<u>(9,942)</u>	<u>161,069</u>
Total depreciable capital assets, net	<u>79,550,366</u>			<u>80,867,886</u>
Governmental activities capital assets, net	<u>\$ 123,189,311</u>			<u>\$ 135,124,267</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
<b>Business-Type Activities:</b>				
<b>Electric Fund:</b>				
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 413,771	\$ -	\$ -	\$ 413,771
<b>Depreciable Capital Assets:</b>				
Buildings	153,325	-	-	153,325
Software	-	64,410	-	64,410
Substations, lines, and related equipment	40,203,680	3,019,542	-	43,223,222
Vehicles	1,016,058	170,460	-	1,186,518
Land improvements	24,628	-	-	24,628
Furniture and maintenance equipment	426,685	-	-	426,685
Total depreciable capital assets	41,824,376	3,254,412	-	45,078,788
<b>Right to Use Assets:</b>				
Leased vehicles and equipment	7,640	14,060	(7,640)	14,060
<b>Less Accumulated Depreciation:</b>				
Buildings	87,269	3,833	-	91,102
Software	-	10,735	-	10,735
Substations, lines, and related equipment	15,710,241	1,326,016	-	17,036,257
Vehicles	659,436	144,121	-	803,557
Land improvements	15,551	1,642	-	17,193
Furniture and maintenance equipment	426,685	-	-	426,685
Total accumulated depreciation	16,899,182	1,486,347	-	18,385,529
<b>Less Accumulated Amortization:</b>				
Leased vehicles	4,065	4,243	(7,279)	1,029
Total depreciable capital assets, net	24,928,769			26,706,290
Electric Fund capital assets, net	25,342,540			27,120,061

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Huntersville Family Fitness and Aquatics (HFFA):</b>				
<b>Depreciable Capital Assets:</b>				
Buildings	10,801,099	-	-	10,801,099
Computers	7,207	-	-	7,207
Equipment	3,885,346	39,299	-	3,924,645
Software	92,824	-	-	92,824
Total depreciable capital assets	<u>14,786,476</u>	<u>39,299</u>	<u>-</u>	<u>14,825,775</u>
<b>Right to Use Assets:</b>				
Leased equipment	8,680	-	-	8,680
Subscriptions	-	67,447	-	67,447
Total right to use assets	<u>8,680</u>	<u>67,447</u>	<u>-</u>	<u>76,127</u>
<b>Less Accumulated Depreciation:</b>				
Buildings	5,063,341	270,029	-	5,333,370
Computers	7,207	-	-	7,207
Equipment	3,139,877	327,549	-	3,467,426
Software	92,824	-	-	92,824
Total accumulated depreciation	<u>8,303,249</u>	<u>597,578</u>	<u>-</u>	<u>8,900,827</u>
<b>Less Accumulated Amortization:</b>				
Leased equipment	3,196	3,396	-	6,592
Subscriptions	-	18,955	-	18,955
Total accumulated amortization	<u>3,196</u>	<u>22,351</u>	<u>-</u>	<u>25,547</u>
Total depreciable capital assets, net	<u>6,488,711</u>	<u>(513,183)</u>	<u>-</u>	<u>5,975,528</u>
HFFA Fund capital assets, net	<u>6,488,711</u>			<u>5,975,528</u>
Business-type activities capital assets, net	<u>\$ 31,831,251</u>			<u>\$ 33,095,589</u>

Depreciation and amortization expense was charged to functions/programs as follows:

### Governmental Activities:

General government	\$ 837,625
Public safety	812,516
Transportation	2,774,887
Public works	229,753
Cultural and recreation	1,026,134
Planning	6,288
Total	<u>\$ 5,687,203</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2023, is composed of the following elements:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Capital assets	\$ 135,124,267	\$ 33,095,589
Long-term debt	(37,229,519)	(336,432)
Deferred outflows	277,900	22,743
Unexpended bond proceeds	8,497,297	-
Net investment in capital assets	<u>\$ 106,669,945</u>	<u>\$ 32,781,900</u>

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2023, were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Accrued Interest</b>	<b>Total</b>
<b>Governmental Activities:</b>				
General	<u>\$ 6,662,076</u>	<u>\$ 903,523</u>	<u>\$ 83,441</u>	<u>\$ 7,649,040</u>
<b>Business-Type Activities:</b>				
Electric Fund	\$ 2,517,888	\$ 137,961	\$ -	\$ 2,655,849
Huntersville Family Fitness and Aquatics Fund	<u>85,600</u>	<u>94,980</u>	<u>191</u>	<u>180,771</u>
Total	<u>\$ 2,603,488</u>	<u>\$ 232,941</u>	<u>\$ 191</u>	<u>\$ 2,836,620</u>

### Pension Plan Obligations

#### Local Governmental Employees' Retirement System

*Plan Description.* The Town of Huntersville is a participating employer in the state-wide 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

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://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. Town of Huntersville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Huntersville's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.10% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Huntersville were \$1,905,783 for the year ended June 30, 2023.

# TOWN OF HUNTERVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

At June 30, 2023, the Town reported a liability of \$11,128,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town'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, 2023, the Town's proportion was 0.1973%, which was an increase of 0.0089% from its proportion as of June 30, 2022.

For the year ended June 30, 2023, the Town recognized pension expense of \$3,184,813. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 479,507	\$ 47,013
Changes of assumptions	1,110,353	-
Net difference between projected and actual earnings on pension plan investments	3,678,013	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	85,500	-
Town contributions subsequent to the measurement date	1,905,783	-
Total	<u>\$ 7,259,156</u>	<u>\$ 47,013</u>



# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

\$1,905,783 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	1,689,506
2025	1,445,602
2026	418,978
2027	1,752,274
2028	-
Thereafter	-
Total	<u>\$ 5,306,360</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	2.5 percent
Salary increase	3.25 to 8.25 percent, 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 United States population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021, actuarial valuation were based on the results of an actuarial experience study prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

Future ad hoc cost of living adjustment amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

## TOWN OF HUNTERSVILLE, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 United States 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, 2022, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic fixed income	7.0%	5.0%
Inflation sensitive	6.0%	2.7%
Total	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. 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.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Town's proportionate share of the net pension liability (asset)	<u>\$ 20,085,114</u>	<u>\$ 11,128,281</u>	<u>\$ 3,747,330</u>

*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 for the state of North Carolina.

### **Law Enforcement Officers' Special Separation Allowance**

**Plan Description.** The Town of Huntersville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town'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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	5
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>94</u>
Total	<u>99</u>

A separate report was not issued for the Plan.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Summary of Significant Accounting Policies

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

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

### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2021, valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increase	3.25 to 7.75 percent, including inflation factor
Discount rate	4.31 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20 Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

*Mortality Assumption:* All mortality rates use Pub-2010 amount-weighted tables.

*Mortality Projection:* All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

*Deaths After Retirement (Healthy):* Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by one year.

*Deaths After Retirement (Disabled Members at Retirement):* Mortality rates are based on the Non-Safety Mortality Table for Disable Retirees. Rates are set back three years for all ages.

*Deaths After Retirement (Survivors of Deceased Members):* Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward three years. Rates for female members are set forward one year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

*Deaths Prior to Retirement:* Mortality rates are based on the Safety Mortality Table for Employees.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**Contributions.** The Town 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 operation budget. There were no contributions made by the employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$81,594 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, 2023, the Town reported a total pension liability of \$4,588,655. The total pension liability was measured as of December 31, 2022, based on a December 31, 2021, actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2022, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$577,788.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 374,785	\$ 6,290
Changes of assumptions	888,323	931,249
Town benefit payments and plan administrative expense made subsequent to the measurement date	<u>75,374</u>	<u>-</u>
Total	<u><u>\$ 1,338,482</u></u>	<u><u>\$ 937,539</u></u>

\$75,374 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Amount</b>
2024	\$ 156,922
2025	145,253
2026	136,252
2027	90,607
2028	(111,289)
Thereafter	<u>(92,176)</u>
Total	<u><u>\$ 325,569</u></u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 5,016,765	\$ 4,588,655	\$ 4,200,129

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

	2023
Beginning balance	\$ 5,140,581
Service cost	308,609
Interest on the total pension liability	114,745
Changes of assumptions and other inputs	(928,227)
Differences between expected and actual experience	34,541
Benefit payments	(81,594)
Net changes	(551,926)
Ending balance of the total pension liability	\$ 4,588,655

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 United States population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

	LGERS	LEOSSA	Total
Proportionate share of net pension liability (asset)	\$ 11,128,281	\$ -	\$ 11,128,281
Proportion of the net pension liability (asset)	0.1973%	NA	-
Total pension liability	-	4,588,655	4,588,655
Pension expense	3,184,813	577,788	3,762,601

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred Outflows of Resources:</b>			
Differences between expected and actual experience	\$ 479,507	\$ 374,785	\$ 854,292
Changes of assumptions	1,110,353	888,323	1,998,676
Net difference between projected and actual earnings on pension plan investments	3,678,013	-	3,678,013
Changes in proportion and differences between Town contributions and proportionate share of contributions	85,500	-	85,500
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>1,905,783</u>	<u>75,374</u>	<u>1,981,157</u>
	<u><u>\$ 7,259,156</u></u>	<u><u>\$ 1,338,482</u></u>	<u><u>\$ 8,597,638</u></u>
<b>Deferred Inflows of Resources:</b>			
Differences between expected and actual experience	\$ 47,013	\$ 6,290	\$ 53,303
Changes of assumptions	<u>-</u>	<u>931,249</u>	<u>931,249</u>
	<u><u>\$ 47,013</u></u>	<u><u>\$ 937,539</u></u>	<u><u>\$ 984,552</u></u>

### Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$728,165 for the reporting year. No amounts were forfeited.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Other Post-Employment Benefits

The Town administers a single employer defined benefit healthcare plan. The Town pays the full cost of coverage for employees' benefits through private insurers and employees have the option of purchasing dependent coverage at the Town's group rates. The Town provides post-employment healthcare benefits to retirees of the Town, provided they meet the following criteria. The retiree must have at least 25 years of creditable service with the Town. The Town pays the full cost of coverage for these benefits until Medicare coverage begins. Retirees who qualify for coverage receive the same benefits as active employees.

The Town does not offer retirees' dependent coverage. At June 30, 2023, no employees had received benefits under this arrangement, and the Town made no contributions during the year June 30, 2023. The Town Commissioners may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the post-employment health benefit plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	1
Terminated plan members entitled to, but not yet receiving, benefits	-
Active plan members	<u>193</u>
Total	<u><u>194</u></u>

**Funding Policy.** The Town agrees to provide medical insurance to certain retired employees as an extended benefit. Eligible retirees who elect this coverage will be enrolled in the group health plan. For members that retire with at least 25 years of service or that retire with approved disability retirement, the Town pays 100% of the cost for pre-65 healthcare coverage for the retiree. Years of service are considered years of creditable service with the Town. Retirees will cease to be eligible for group health insurance at age 65. The Town has chosen to fund the healthcare benefits on a pay-as-you-go basis.



# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Total OPEB Liability

The Town's total OPEB liability of \$3,607,473 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022, 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 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases	
General employees	3.25%-8.41%, including wage inflation
Law enforcement officers	3.25%-7.90%, including wage inflation
Municipal bond index rate	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

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

### Changes in the Total OPEB Liability

Balance at June 30, 2021	<u>\$ 3,897,481</u>
Changes for the year:	
Service cost	300,970
Interest	90,611
Differences between expected and actual experience	(131,215)
Changes of assumptions or other inputs	(543,305)
Benefit payments	<u>(7,069)</u>
Net changes	<u>(290,008)</u>
Balance at June 30, 2022	<u>\$ 3,607,473</u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.16% to 3.54%.

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

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022, valuation were based on a review of recent plan experience done concurrently with the June 30, 2022, valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<b>1% Decrease (2.54%)</b>	<b>Discount Rate (3.54%)</b>	<b>1% Increase (4.54%)</b>
Total OPEB liability	<u>\$ 4,116,010</u>	<u>\$ 3,607,473</u>	<u>\$ 3,166,344</u>

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 3,066,870</u>	<u>\$ 3,607,473</u>	<u>\$ 4,266,923</u>

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$355,623. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,121	\$ 409,578
Changes of assumptions	688,175	580,833
Total	<u>\$ 691,296</u>	<u>\$ 990,411</u>

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

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

<b>Year Ending June 30</b>	<b>Amount</b>
2024	(35,958)
2025	(35,958)
2026	(35,958)
2027	(35,958)
2028	(35,958)
Thereafter	<u>(119,325)</u>
Total	<u><u>\$ (299,115)</u></u>

### **Deferred Compensation Plans**

The Town sponsors a deferred compensation plan administered by the United States Conference of Mayors. All full-time employees of the Town are eligible to participate in the plan. The Town did not contribute to this plan during the year ended June 30, 2023.

The Town also participates in a deferred compensation plan administered by the International City Management Association Retirement Corporation (ICMA Retirement). All Town personnel can participate in the Plan. The Town had zero participant at June 30, 2023. The Town contributes up to 5% of salary, with such percentage varying dependent upon participation in the Town's 401(k) plan. During the year ended June 30, 2023, the Town contributed \$-0- to this Plan.

### **Death Benefits**

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

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

In addition to the above state-administered plan for death benefits, the Town has elected to provide death benefits to all full-time employees through private insurance. The beneficiaries of those employees who die in active service after being employed for 30 days are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to twice the annual salary, not to exceed \$200,000 of the employee. All death benefit payments are made by the insurance provider of the policies. The Town has no liability beyond the payment of monthly premiums for the insurance policies. The Town paid \$44,578 for premiums under the above insurance policies for the year ended June 30, 2023.

### Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following elements:

Charge on refunding	\$	300,643
OPEB deferrals		691,296
Pension deferrals		8,597,638
Total	\$	<u>9,589,577</u>

Deferred inflows of resources at year-end are composed of the following elements:

#### Governmental Funds:

Taxes receivable (General Fund)	\$	84,001
Solid waste receivable		2,315
Lease deferrals		2,254,137
Unavailable revenues		1,622,420
Prepaid taxes		27,886
Prepaid donations		28,706
OPEB deferrals		990,411
Pension deferrals		984,552
Total	\$	<u>5,994,428</u>

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Risk Management**

The Town 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 Town maintains General Liability, Property, Vehicle, Cyber Liability, and Workers' Compensation coverage through The Travelers Insurance Company and Key Risk. For information concerning our insurance coverage, you can contact our agent, Parks Insurance Group in Davidson, NC. The Town also purchases a fully funded Group Health insurance plan through United Healthcare. The policies are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for other risks of loss. There have been no significant reductions in insurance coverage during the year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not maintain flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer was bonded for \$50,000 through June 30, 2023, and Town employees that have access to \$100 or more at any given time of the Town's funds are covered under the Employee Dishonesty policy is up to \$10,000 with \$500 deductible. Effective with the July 1, 2023 renewal the Finance Director was covered with a \$1,000,000 bond.

### **Long-Term Obligations**

All bonds and notes, except those of the Electric Fund, are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

#### **Direct Placement Installment Purchase: Serviced by the General Fund:**

Note payable in 10 annual installments ranging from \$280,000 to \$570,000, with semi-annual interest payments with a rate of 1.25%.

Final maturity in the year 2032; secured by the Deed of Trust on real property, which the public safety facility will be located in the Town, and all improvements and fixtures located thereon.

\$ 2,938,000

Total direct placement installment purchase serviced by General Fund

\$ 2,938,000

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town's outstanding notes from direct placement related to governmental activities of \$2,938,000 is secured with collateral of the public safety building and the equipment and fixtures of the building, listed in the commercial security agreement. This borrowing contains provisions that an event of default the bank may exercise one or more of the following remedies: (a) declare the unpaid principal due and payable, (b) court action to enforce performance by the Town of the applicable covenants of the contract or recover for any breach thereof, (c) exercise or direct the trustee to exercise all rights and remedies of a secured party or creditor with respect to the enforcement of the security interest granted or reserved under the Deed of Trust, (d) enforce its security interest or direct the trustee to institute foreclosure proceedings.

### General Obligation Bonds:

The Town has issued general obligation bonds to provide for the costs incurred in connection with acquisition or construction of major capital facilities and the purchase of the other major capital items relating to parks and recreation facilities and other Town services.

Interest rates on these general obligation bonds outstanding of 1.95%, with final maturity in the year 2024. \$ 237,000

The Town issued general obligation bonds to provide for the capital costs of construction, reconstructing, enlarging, extending, and improving certain streets, including streets and roads, constituting a part of the state highway system. Interest rates on these general obligation bonds outstanding from 3.95% to 5.40%, with final maturity in the year 2030. 3,020,000

The Town issued general obligation bonds to provide for the capital incurred in connection with construction of major capital facilities, and purchase of the other major capital items relating to parks and recreation facilities. Also provide for the capital costs of constructing, reconstructing, enlarging, extending, and improving certain streets, including streets and roads in the Town. Interest rates on these general obligation bonds outstanding from 2% to 4%, with a final maturity in the year 2036. 5,640,000

The Town issued general obligation bonds to provide for the capital costs of constructing, reconstructing, enlarging, extending, and improving certain streets, including streets and roads, constituting a part of the state highway system. Interest rate on these general obligation bonds outstanding is 2%, with final maturity June 1, 2028. 1,680,000

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town issued general obligation bonds to provide for the capital cost of street improvements and public improvements of the Town. Interest rate on these general obligation bonds outstanding is 1.73% (all in true interest costs) with final maturity June 1, 2040.

13,220,000

The Town issued general obligation bonds to provide for the capital incurred in connection with acquisition or construction of major capital facilities and the purchase of the other major capital items relating to parks and recreation facilities and other Town services. \$4,319,802 is serviced by the General Fund, and \$284,198 is serviced by the Huntersville Family Fitness and Aquatics Fund. Interest rates on these general obligation bonds outstanding is 1.200%, with a final maturity in the year 2033.

4,470,999

Total general obligation bonds

28,267,999

Total notes payable and general obligation bonds

\$ 31,205,999

The Town's outstanding general obligation bonds from direct placement related to governmental activities is \$237,000. The Town pledges its full faith and credit for this bond. In the event of default, the bondholder could force the Town to pay the balance by using any available funds or raise taxes.

The following table summarizes the annual requirements to amortize the above direct placement installment purchase and general obligation bonds:

### Governmental Activities:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 311,000	\$ 34,781
2025	307,000	30,919
2026	303,000	27,106
2027	298,000	23,350
2028	294,000	19,650
2029-2032	<u>1,425,000</u>	<u>40,844</u>
Total	<u>\$ 2,938,000</u>	<u>\$ 176,650</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### General Obligation Bonds:

Year Ending June 30	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 2,523,938	\$ 874,662	\$ 30,062	\$ 3,312	\$ 2,554,000	\$ 877,974
2025	2,535,370	783,707	29,630	2,951	2,565,000	786,658
2026	2,525,049	687,202	28,950	2,596	2,553,999	689,798
2027	2,517,543	590,772	28,457	2,248	2,546,000	593,020
2028	2,235,037	490,081	27,963	1,907	2,263,000	491,988
2029-2033	8,945,189	1,382,583	125,811	4,637	9,071,000	1,387,220
2034-2038	5,165,000	449,856	-	-	5,165,000	449,856
2039-2040	1,550,000	48,438	-	-	1,550,000	48,438
Total	<u>\$ 27,997,126</u>	<u>\$ 5,307,301</u>	<u>\$ 270,873</u>	<u>\$ 17,651</u>	<u>\$ 28,267,999</u>	<u>\$ 5,324,952</u>

### Limited Obligation Refunding Bonds

The Town issued limited obligation refunding bonds to provide for the capital incurred in connection with acquisition or construction of major capital facilities and the purchase of the other major capital items relating to parks and recreation facilities and other Town services.

Annual principal payments ranging from \$460,000 to \$1,157,000, with semi-annual interest payment at a rate of 1.139%. Final maturity in December 2028. Secured by a Deed of Trust on real property, which the facilities will be located in the Town, and all improvements and fixtures located thereon.

\$ 3,615,000

Total limited obligation bonds

\$ 3,615,000

The following table summarizes the annual requirements to amortize the above limited obligation refunding bonds:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 1,117,000	\$ 34,813
2025	539,000	25,382
2026	519,000	19,357
2027	500,000	13,554
2028	480,000	7,974
2029	460,000	2,620
Total	<u>\$ 3,615,000</u>	<u>\$ 103,700</u>



# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Forward Purchase Agreement**

On March 7, 2023, the Town exchanged the Taxable 2021 General Obligation Refunding Bonds in a forward purchase for \$4,522,000 tax-exempt 2023, General Obligation Refunding Bond. As a result, the Taxable 2021 General Obligation Refunding Bonds were considered defeased, and the liability was removed from the governmental activities column of the Statement of Net Position. The Town paid the accrued interest due at the time of the exchange, for \$18,291. The \$4,522,000 tax-exempt 2023, General Obligation Refunding Bond, with payment dates of December 1 and June 1 and interest rate of 1.20%, will mature December 1, 2033. The refunding was undertaken to obtain a lower and tax-exempt interest rate of 1.20%. This is an estimated savings of \$75,643.

### **Leases**

The Town has entered into agreements to lease certain equipment. 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.

On March 27, 2023, Huntersville, North Carolina entered into a 39-month lease as Lessee for the use of Vehicle - Jeep Grand Cher. An initial lease liability was recorded in the amount of \$18,150. As of June 30, 2023, the value of the lease liability is \$16,323. Huntersville, North Carolina is required to make monthly fixed payments of \$499. The lease has an interest rate of 2.5830%. The value of the right to use asset as of June 30, 2023, is \$18,150 with accumulated amortization of \$1,458. The lease has a guaranteed residual value payment of \$28,638.

On April 1, 2023, Huntersville, North Carolina entered into a 41-month lease as Lessee for the use of ElectriCites - Copier FY 23. An initial lease liability was recorded in the amount of \$14,060. As of June 30, 2023, the value of the lease liability is \$13,043. Huntersville, North Carolina is required to make monthly fixed payments of \$356. The lease has an interest rate of 2.3100%. The value of the right to use asset as of June 30, 2023, is \$14,060 with accumulated amortization of \$1,029.

On November 19, 2018, Huntersville, North Carolina, entered into a 31-month lease as lessee for the use of HFFA copier - Kyocera. An initial lease liability was recorded in the amount of \$8,680. As of June 30, 2023, the value of the lease liability is \$1,972. Huntersville, North Carolina, is required to make monthly fixed payments of \$696. The lease has an interest rate of 0.6480%. The value of the right-to-use asset as of June 30, 2023, is \$8,680 with accumulated amortization of \$6,592.

On November 24, 2020, Huntersville, North Carolina, entered into a 40-month lease as lessee for the use of equipment. An initial lease liability was recorded in the amount of \$2,542. As of June 30, 2023, the value of the lease liability is \$983. Huntersville, North Carolina, is required to make quarterly fixed payments of \$198. The lease has an interest rate of 0.6480%. The value of the right-to-use asset as of June 30, 2023, is \$2,542 with accumulated amortization of \$1,497.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On December 29, 2020, Huntersville, North Carolina, entered into a 53-month lease as lessee for the use of equipment. An initial lease liability was recorded in the amount of \$7,738. As of June 30, 2023, the value of the lease liability is \$4,130. Huntersville, North Carolina, is required to make quarterly fixed payments of \$464. The lease has an interest rate of 0.8140%. The value of the right-to-use asset as of June 30, 2023, is \$7,738 with accumulated amortization of \$3,443.

On April 24, 2019, Huntersville, North Carolina, entered into a 36-month lease as lessee for the use of equipment. An initial lease liability was recorded in the amount of \$17,393. As of June 30, 2023, the value of the lease liability is \$5,835. Huntersville, North Carolina, is required to make monthly fixed payments of \$551. The lease has an interest rate of 0.6480%. The value of the right-to-use asset as of June 30, 2023, is \$17,393 with accumulated amortization of \$11,354.

On April 6, 2021, Huntersville, North Carolina entered into a 33-month lease as Lessee for the use of equipment. An initial lease liability was recorded in the amount of \$79,756. As of June 30, 2023, the value of the lease liability is \$21,882. Huntersville, North Carolina, is required to make monthly fixed payments of \$2,438. The lease has an interest rate of 0.6480%. The value of the right-to-use asset as of June 30, 2023, is \$79,756 with accumulated amortization of \$57,713.

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

<b>Year Ending June 30</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 35,788	\$ 469	\$ 36,257	\$ 5,989	\$ 263	\$ 6,252
2025	7,639	228	7,867	4,110	165	4,275
2026	5,726	69	5,795	4,206	69	4,275
2027	-	-	-	710	2	712
Total	<u>\$ 49,153</u>	<u>\$ 766</u>	<u>\$ 49,919</u>	<u>\$ 15,015</u>	<u>\$ 499</u>	<u>\$ 15,514</u>

### Subscriptions

The Town has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

On July 1, 2022, Huntersville, North Carolina entered into a 109-month subscription for the use of Axon - Professional Evidence.com. An initial subscription liability was recorded in the amount of \$152,896. As of June 30, 2023, the value of the subscription liability is \$136,724. Huntersville, North Carolina is required to make annual fixed payments of \$19,911. The subscription has an interest rate of 2.5900%. The value of the right to use asset as of June 30, 2023, is \$152,896 with accumulated amortization of \$16,833.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On February 2, 2023, Huntersville, North Carolina entered into a 36-month subscription for the use of NetCloud Mobile Essentials Plan and IBR900. An initial subscription liability was recorded in the amount of \$29,982. As of June 30, 2023, the value of the subscription liability is \$19,732. Huntersville, North Carolina is required to make annual fixed payments of \$10,993. The subscription has an interest rate of 2.5827%. The value of the right to use asset as of June 30, 2023, is \$29,982 with accumulated amortization of \$4,136.

On September 1, 2022, Huntersville, North Carolina entered into a 62-month subscription for the use of Axon - Fleet 3 Advanced. An initial subscription liability was recorded in the amount of \$396,939. As of June 30, 2023, the value of the subscription liability is \$327,155. Huntersville, North Carolina is required to make annual fixed payments of \$140,385. The subscription has an interest rate of 2.1860%. The value of the right to use asset as of June 30, 2023, is \$396,939 with accumulated amortization of \$64,023.

On July 1, 2022, Huntersville, North Carolina entered into a 42-month subscription for the use of ACH Processing and Club Automation Software. An initial subscription liability was recorded in the amount of \$66,850. As of June 30, 2023, the value of the subscription liability is \$50,544. Huntersville, North Carolina is required to make monthly fixed payments of \$1,350. The subscription has an interest rate of 2.1120%. The value of the right to use asset as of June 30, 2023, is \$67,447 with accumulated amortization of \$18,955.

On July 15, 2022, Huntersville, North Carolina entered into a 60-month subscription for the use of Verkada Alarm Hub - Subscription. An initial subscription liability was recorded in the amount of \$3,186. As of June 30, 2023, the value of the subscription liability is \$2,521. Huntersville, North Carolina is required to make annual fixed payments of \$713. The subscription has an interest rate of 2.1857%. The value of the right to use asset as of June 30, 2023, is \$3,186 with accumulated amortization of \$612.

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

<b>Year Ending</b> <b>June 30</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 88,583	\$ 11,258	\$ 99,841	\$ 18,685	\$ 890	\$ 19,575
2025	90,621	9,219	99,840	19,867	483	20,350
2026	82,457	7,134	89,591	11,992	85	12,077
2027	84,325	5,265	89,590	-	-	-
2028	85,572	3,354	88,926	-	-	-
2029-2032	54,574	2,851	57,425	-	-	-
Total	<u>\$ 486,132</u>	<u>\$ 39,081</u>	<u>\$ 525,213</u>	<u>\$ 50,544</u>	<u>\$ 1,458</u>	<u>\$ 52,002</u>

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Changes in Long-Term Liabilities:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
<b>Governmental Activities:</b>					
General obligation bonds	\$ 30,475,395	\$ 4,242,864	\$ 6,721,133	\$ 27,997,126	\$ 2,523,938
Limited obligation bonds	4,772,000	-	1,157,000	3,615,000	1,117,000
Premium on long-term debt	2,530,677	-	386,569	2,144,108	-
Direct placement installment purchases	3,253,000	-	315,000	2,938,000	311,000
Lease liabilities	77,960	18,150	46,957	49,153	35,788
Subscription liabilities	-	583,003	96,871	486,132	88,583
Compensated absences	931,989	1,164,987	961,535	1,135,441	961,535
Net pension liability (LGRS)	2,888,528	8,239,753	-	11,128,281	-
Total pension liability (LEOSSA)	5,140,581	-	551,926	4,588,655	-
Total OPEB liability	3,897,481	-	290,008	3,607,473	4,069
Total	<u>\$ 53,967,611</u>	<u>\$ 14,248,757</u>	<u>\$ 10,526,999</u>	<u>\$ 57,689,369</u>	<u>\$ 5,041,913</u>

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
<b>Business-Type Activities:</b>					
<b>Huntersville Family Fitness and Aquatics Fund:</b>					
General obligation bonds	\$ 306,605	\$ 279,136	\$ 314,868	\$ 270,873	\$ 30,062
Subscription liabilities	-	66,850	16,306	50,544	18,685
Lease liabilities	5,336	-	3,364	1,972	1,972
Total	<u>311,941</u>	<u>345,986</u>	<u>334,538</u>	<u>323,389</u>	<u>50,719</u>
<b>Electric Fund:</b>					
Lease liabilities	<u>3,280</u>	<u>14,060</u>	<u>4,297</u>	<u>13,043</u>	<u>4,017</u>
Total business-type activities	<u>\$ 315,221</u>	<u>\$ 360,046</u>	<u>\$ 338,835</u>	<u>\$ 336,432</u>	<u>\$ 54,736</u>

Compensated absences, net pension liability and other post-employment benefits are typically liquidated in the General Fund. Compensated absences are accounted for on a FIFO basis.

At June 30, 2023, the Town of Huntersville had a legal debt margin of approximately \$838,938,032.

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Interfund Balances and Activity

The composition of interfund balances as of June 30, 2023, was as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ 7,954,170	\$ -
SRF - Grants Fund	-	2,201,649
Enterprise Fund - Family Fitness and Aquatic Fund	-	5,752,521
Total	<u>\$ 7,954,170</u>	<u>\$ 7,954,170</u>

Amounts were due to the General Fund primarily for operating and capital outlay purposes.

### Transfer Activity

From Grants Fund to the General Fund for operational costs covered by the grant.	<u>\$ (4,824,980)</u>
--	-----------------------

### 3. Jointly Governed Organization

The Town, in conjunction with 19 other local governments, is a member of the North Carolina Municipal Power Agency #1 ("Agency"). The Agency was formed to enable municipalities that own electric distribution systems to finance, construct, own, operate, and maintain generation and transmission facilities. Each participating government appoints one commissioner to the Agency's governing board. The 19 members, who receive power from the Agency, have signed power sales agreements to purchase a specified share of the power generated by the Agency. Except for the power sales purchase requirements, no local government participant has any obligation, entitlement, or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2023, were \$17,737,330.

### 4. Joint Activities

#### Dispatch Service

The Town has entered into an interlocal agreement with the City of Charlotte to participate in a dispatch service owned by the City of Charlotte. Under this agreement, the City of Charlotte provides dispatch service to the Town of Huntersville. The agreement is in effect through June 30, 2023. The agreement has been renewed through June 30, 2026.

The Town makes annual payments to the City of Charlotte for the dispatch service. The total expense for the year ended June 30, 2023, totaled \$337,653.

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **Electric System**

The Town has an agreement with the Town of Cornelius and ElectriCities that provides for ElectriCities to operate and maintain the electric system of each Town, including managing the resources and expenditures of each Town's electric system, planning, technical assistance, and inventory management. During the years ended June 30, 2023 and 2022, the Town paid ElectriCities \$1,523,098 and \$1,302,831, respectively, for salaries and wages, employee benefits, and other related costs.

### **Bryton Project**

The Town has an agreement with the County of Mecklenburg, North Carolina, for public improvements known as the Bryton project and the related debt service financing installments. The Town's share of the debt service is determined by multiplying the debt service paid by the County by a fraction of the numerator of which is the Town's tax rate for the fiscal year in which the debt service is paid, and the denominator is the total of the Town's and the County's tax rates for that fiscal year. The duration of this agreement shall be until all outstanding debt is paid or until the County and Town agree to terminate the agreement. The developers for the Bryton project have agreed to pay the difference if the additional tax revenues generated are not sufficient to cover the County's debt service, and to secure that obligation with liens on the development property. Upon completion of the Bryton project the Town's portion of the debt service payments made to the County will be refunded over a period of time. During the year ended June 30, 2023, the Town made no payments to the County on the Bryton project. The County has not billed the Town for any FY2023, expenses incurred.

## **5. Summary Disclosure of Significant Contingencies**

### **Federal and State-Assisted Programs**

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

# TOWN OF HUNTERSVILLE, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### Commitments

The Town of Huntersville has the following commitments at June 30, 2023:

	<u>Commitment</u>	<u>Spent To-Date</u>	<u>Balance</u>
Gilead Road West	\$ 1,238,408	\$ 781,681	\$ 456,727
Main Street upgrades	19,812,104	17,468,507	2,343,597
Downtown Greenway	142,205	134,703	7,502
Holbrook Street	97,200	60,400	36,800
Sidewalks	263,400	151,878	111,522
Gibson Park Drive #2	275,918	175,877	100,041
Vance Road	1,983,227	1,929,350	53,877
Patterson xxtension	1,128,601	994,625	133,976
Ranson Road widening	300,254	208,160	92,094
HAP athletic fields	330,295	228,719	101,576
Beatties Ford/Hambright	137,970	111,485	26,485
Seagle Street/4th Street	342,284	162,420	179,864
New Town Hall	1,004,120	572,478	431,642
North Meck Splash pad	117,335	42,932	74,403
Huntington Green sidewalks	20,700	-	20,700
HVAC units at HFFA	1,934,764	-	1,934,764
Parking lot Barry Park expansion	148,715	125,581	23,134
Arahova	99,764	46,482	53,282
David Kenny Farm	217,660	90,159	127,501
Stumptown - roadway improvement	861,188	679,463	181,725
Church - Seagle	162,900	78,310	84,590
Commerce Centre Drive	155,774	119,034	36,740
McCoy at Hambright	327,159	88,912	238,247
McCoy at McIlWaine	327,159	88,912	238,247
Beatties Ford/McCoy	248,925	163,435	85,490
Beatties Ford/Gilead	222,558	155,034	67,524
Design of McDowell Creek Greenway	1,800,000	-	1,800,000
N Meck Park Greenway	152,410	136,714	15,696
Church/Dellwood/Holbrooks	223,284	123,027	100,257
Ferrell Town Parkway	42,450	28,625	13,825
Total	<u>\$ 34,118,731</u>	<u>\$ 24,946,903</u>	<u>\$ 9,171,828</u>

# **TOWN OF HUNTERSVILLE, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023**

### **6. Reimbursement for Pandemic-Related Expenditures**

In FY 2020-2021, the American Rescue Plan Act (ARPA) established the coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. Town of Huntersville was awarded \$4,809,066 in American Rescue plan funding. The Town elected to use \$4,809,066 of the ARPA funds for revenue replacement, and these funds were transferred to the General Fund.

### **7. Stewardship, Compliance, and Accountability**

#### **Deficit in Fund Balance of Individual Funds**

At June 30, 2023, the following funds had a deficit fund balance:

Grants Fund	<u>\$2,895,611</u>
Huntersville Family Fitness and Aquatics Fund (HFFA)	<u>\$ 136,041</u>

For the Grants Fund, receivables are expected to be received in the subsequent years, but was not in the revenue recognition period and, therefore, was reported as unavailable revenue in the current year. Management's anticipation to collect the receivables will eliminate the deficit fund balance in the subsequent years.

The Town has operated an aquatics and fitness center since 2001. Post pandemic, revenues for HFFA have not covered cost of operations such that at 6/30/2023, the fund has a deficit fund balance. Through cost control measures and sponsorship revenues, the Town expects the deficit to improve in 2024. The Town's contract with the current management services provider expires at 6/30/2024.



## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**TOWN OF HUNTERSVILLE, NORTH CAROLINA****SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE****LAST SEVEN FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 5,140,581	\$ 4,679,433	\$ 2,965,090	\$ 2,312,062
Service cost	308,609	310,721	183,258	164,777
Interest on the total pension liability	114,745	89,695	96,432	83,671
Differences between expected and actual experience in the measurement of the total pension liability	34,541	276,874	14,629	321,093
Changes in assumptions and other inputs	(928,227)	(152,110)	1,434,139	110,286
Benefit payments	(81,594)	(64,032)	(14,115)	(26,799)
Ending balance of the total pension liability	<u>\$ 4,588,655</u>	<u>\$ 5,140,581</u>	<u>\$ 4,679,433</u>	<u>\$ 2,965,090</u>

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

**TOWN OF HUNTERSVILLE, NORTH CAROLINA****SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY****LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE****LAST SEVEN FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 2,199,257	\$ 1,895,402	\$ 1,784,258
Service cost	157,587	132,055	132,762
Interest on the total pension liability	68,966	72,661	63,306
Differences between expected and actual experience in the measurement of the total pension liability	40,606	(51,224)	-
Changes in assumptions and other inputs	(120,803)	176,325	(62,980)
Benefit payments	(33,551)	(25,962)	(21,944)
Ending balance of the total pension liability	<u>\$ 2,312,062</u>	<u>\$ 2,199,257</u>	<u>\$ 1,895,402</u>

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total pension liability	\$ 4,588,655	\$ 5,140,581	\$ 4,679,433	\$ 2,965,090
Covered-employee payroll	7,051,916	7,026,023	6,506,408	6,391,053
Total pension liability as a percentage of covered-employee payroll	65.07%	73.16%	71.92%	46.39%

**Notes to the Schedules:**

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

This schedule is intended to show information for ten years.

Additional years' information will be displayed as it becomes available.

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF  
COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
LAST SEVEN FISCAL YEARS**

	<b>Law Enforcement Officers' Special Separation Allowance</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 2,312,062	\$ 2,199,257	\$ 1,895,402
Covered-employee payroll	5,735,316	5,492,397	5,228,643
Total pension liability as a percentage of covered-employee payroll	40.31%	40.04%	36.25%

## TOWN OF HUNTERSVILLE, NORTH CAROLINA

## OTHER POST-EMPLOYMENT BENEFITS

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

## LAST SIX FISCAL YEARS

	Other Post-Employment Benefits		
	2023	2022	2021
Service cost	\$ 300,970	\$ 289,894	\$ 198,351
Interest	90,611	78,224	100,086
Differences between expected and actual experience	(131,215)	3,869	(212,698)
Changes of assumptions or other inputs	(543,305)	277,898	504,679
Benefit payments	(7,069)	(4,069)	-
Net change in total OPEB liability	(290,008)	645,816	590,418
Total OPEB liability - beginning	3,897,481	3,251,665	2,661,247
Total OPEB liability - ending	<u>\$ 3,607,473</u>	<u>\$ 3,897,481</u>	<u>\$ 3,251,665</u>
Covered-employee payroll	\$ 12,026,871	\$ 10,793,894	\$ 10,793,894
Total OPEB liability as a percentage of covered-employee payroll	30.00%	36.11%	30.13%

## Notes to the Required Schedules:

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

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

The Town of Huntersville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

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

**TOWN OF HUNTERSVILLE, NORTH CAROLINA****OTHER POST-EMPLOYMENT BENEFITS****REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS****LAST SIX FISCAL YEARS**

	<b>Other Post-Employment Benefits</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$ 182,162	\$ 173,342	\$ 188,620
Interest	87,627	79,396	65,069
Differences between expected and actual experience	-	(244,638)	-
Changes of assumptions or other inputs	138,825	14,300	(185,209)
Benefit payments	-	-	-
Net change in total OPEB liability	408,614	22,400	68,480
Total OPEB liability - beginning	2,252,633	2,230,233	2,161,753
Total OPEB liability - ending	<u>\$ 2,661,247</u>	<u>\$ 2,252,633</u>	<u>\$ 2,230,233</u>
Covered-employee payroll	\$ 8,857,598	\$ 8,857,598	\$ 8,486,327
Total OPEB liability as a percentage of covered-employee payroll	30.04%	25.43%	26.28%

**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST TEN FISCAL YEARS \***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Town's proportion of the net pension liability (asset) (%)	0.1973%	0.1884%	0.1778%	0.1747%	0.1700%
Town's proportion of the net pension liability (asset) (\$)	\$ 11,128,281	\$ 2,888,528	\$ 6,354,981	\$ 4,769,828	\$ 4,033,930
Town's covered payroll	\$ 13,301,476	\$ 12,243,848	\$ 11,559,626	\$ 10,976,929	\$ 9,689,171
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	83.66%	23.59%	54.98%	43.45%	41.63%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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



**TOWN OF HUNTERSVILLE, NORTH CAROLINA**

**PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST TEN FISCAL YEARS \***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.1736%	0.1732%	0.1679%	0.1678%	0.1680%
Town's proportion of the net pension liability (asset) (\$)	\$ 2,652,279	\$ 3,676,521	\$ 753,704	\$ (990,361)	\$ 2,022,634
Town's covered payroll	\$ 9,513,625	\$ 8,999,979	\$ 8,374,143	\$ 8,023,538	\$ 7,579,163
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	27.88%	40.85%	9.00%	( 12.34%)	26.69%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

**TOWN OF HUNTERSVILLE , NORTH CAROLINA****CONTRIBUTIONS****REQUIRED SUPPLEMENTARY INFORMATION****LAST TEN FISCAL YEARS**

<b>Local Governmental Employees' Retirement System</b>					
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contractually required contribution	\$ 1,905,783	\$ 1,555,893	\$ 1,287,650	\$ 1,076,515	\$ 897,390
Contributions in relation to the contractually required contribution	<u>1,905,783</u>	<u>1,555,893</u>	<u>1,287,650</u>	<u>1,076,515</u>	<u>897,390</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,158,767	\$ 13,301,476	\$ 12,243,848	\$ 11,559,626	\$ 10,976,929
Contributions as a percentage of covered payroll	12.6%	11.7%	10.5%	9.3%	8.18%

**TOWN OF HUNTERSVILLE , NORTH CAROLINA****CONTRIBUTIONS****REQUIRED SUPPLEMENTARY INFORMATION****LAST TEN FISCAL YEARS**

<b>Local Governmental Employees' Retirement System</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 768,558	\$ 730,001	\$ 624,470	\$ 609,793	\$ 582,693
Contributions in relation to the contractually required contribution	<u>768,558</u>	<u>730,001</u>	<u>624,470</u>	<u>609,793</u>	<u>582,693</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,689,171	\$ 9,513,625	\$ 8,999,979	\$ 8,374,143	\$ 8,023,538
Contributions as a percentage of covered payroll	7.93%	7.67%	6.94%	7.28%	7.26%



**APPENDIX C**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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## APPENDIX C

### SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Contract, the Indenture and the Deed of Trust. This summary is not intended to be definitive and is qualified in its entirety by reference to each of the aforementioned documents for the complete terms thereof. Copies of said documents are available from the Town on request.

#### DEFINITIONS

*“Acquisition and Construction Fund”* means the special fund created under Section 3.11 of the Indenture.

*“Additional Bonds”* means additional parity bonds or other parity obligations executed and delivered in accordance with the Indenture.

*“Additional Payments”* means the reasonable and customary expenses and fees (including, but not limited to, attorneys’ fees, costs and expenses) of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the Town or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon if the Town fails to pay the same).

*“Bond Fund”* means the special fund created under Section 3.2 of the Indenture.

*“Bonds”* means the 2024 Bonds and any Additional Bonds.

*“Business Day”* means a day on which the Trustee or the Town is not required or authorized by law to remain closed.

*“Cede & Co.”* means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

*“Code”* means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder, or any successor statute thereto.

*“Contract”* means the Installment Financing Contract dated as of March 1, 2024 between the Corporation and the Town and any amendments or supplements thereto, including the Exhibits attached thereto.

*“Corporation”* means the Huntersville Public Facilities Corporation or any successor thereto.

*“Corporation Representative”* means any person or persons at the time designated to act on behalf of the Corporation for purposes of performing any act on behalf of the Corporation under the Contract and the Indenture by a written certificate furnished to the Town and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President.

“*Cost of Acquisition and Construction*” includes payment of or reimbursement for the following items:

- (a) the Costs of Issuance;
- (b) obligations incurred or assumed for the Projects in connection with the acquisition, construction, renovation, equipping and financing or refinancing thereof, including, without limitation, costs of obtaining title insurance and a survey of the Mortgaged Property; and
- (c) all other costs which are considered to be a part of the cost of acquisition, construction, renovation, equipping and financing of the Projects in accordance with generally accepted accounting principles and, to the extent applicable, which will not affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable by the Town, including sums required to reimburse the Town for advances made by the Town that are properly chargeable to the acquisition, construction, renovation, equipping and financing of the Projects.

“*Costs of Issuance*” means the costs incurred in connection with the initial execution and delivery of the Bonds, including, without limitation, all printing expenses in connection with the Indenture, the Contract, and the documents and certificates contemplated by the Indenture, the Preliminary Official Statement and the Official Statement for the Bonds, if any, and the Bonds, legal fees and expenses of counsel to the Corporation, special counsel, counsel to the Town, other counsel, counsel to the purchaser or purchasers of the Bonds, financial advisor fees, rating agency fees, any accounting expenses incurred in connection with determining that the Bonds are not “arbitrage bonds” within the meaning of the Code, the Trustee’s initial fees and expenses (including attorney’s fees, costs, and expenses), and state license fees, on the submission of requisitions by the Town signed by a Town Representative stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of executing and delivering the Bonds.

“*Deed of Trust*” means the Deed of Trust, Security Agreement and Fixture Filing dated as of March 1, 2024 from the Town to the Deed of Trust Trustee named therein for the benefit of the Corporation or its assignees, as the same may be modified or extended in accordance with its terms. All of the terms, definitions, conditions and covenants of the Deed of Trust are incorporated by reference and are made a part of the Contract as if fully set forth therein.

“*Deed of Trust Trustee*” means the trustee named in the Deed of Trust and any trustee subsequently named pursuant to the terms of the Deed of Trust.

“*DTC*” means The Depository Trust Company, a limited purpose company organized under the law of the State of New York, and its successors and assigns.

“*DTC Participant*” or “*DTC Participants*” means securities brokers and dealers, banks, trust companies, clearing corporations and certain other corporations which have access to the DTC system.

“*Event of Default*” means those events of default specified in the Contract and the Indenture, as applicable.

“*Federal Securities*” means, to the extent such investments qualify under Section 159-30, or any replacement statute, of the General Statutes of North Carolina as amended from time to time, (a) direct obligations of the United States of America, obligations the principal of and interest on which are



guaranteed by the United States of America or obligations of any agency or instrumentality of the United States of America, in each case for the payment of which the full faith and credit of the United States of America are pledged (including any securities issued or held in the name of the Trustee in book entry form on the books of the Department of the Treasury of the United States of America) which obligations are held by the Trustee and are not subject to prepayment or purchase before maturity at the option of anyone other than the holder; (b) any bonds or other obligations of any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory which are (1) not callable before maturity or (2) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody's and S&P within its highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate; or (c) evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in clause (a) or (b) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in clause (a) or (b), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

*"Fiscal Year"* means a twelve-month period commencing on the first day of July of any year and ending on the 30th day of June of the succeeding year, or such other twelve-month period which may subsequently be adopted as the Fiscal Year of the Town.

*"Indenture"* means the Indenture of Trust dated as of March 1, 2024 between the Corporation and the Trustee, as amended or supplemented from time to time, pursuant to which the Bonds are executed and delivered.

*"Installment Payments"* means those payments made by the Town to the Corporation as described in the Contract and in the Payment Schedule attached thereto.

*"Interest Payment Date"* means, (a) with respect to the 2024 Bonds, each June 1 and December 1, beginning December 1, 2024, and (b) for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds.

*"LGC"* means the Local Government Commission of North Carolina.

*"Moody's"* means Moody's Investors Service, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, *"Moody's"* will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

*"Mortgaged Property"* means the property subject to the lien and security interest created by the Deed of Trust, as more particularly described therein.

*"Net Proceeds"* means, when used with respect to any (1) proceeds from policies of insurance which are payable to the Corporation or the Trustee with respect to the Mortgaged Property, (2) proceeds from any payment and performance bond maintained pursuant to the Contract, (3) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Mortgaged Property or (4) proceeds from any sale or lease of the Mortgaged Property pursuant to the Deed of Trust or otherwise

subsequent to an Event of Default, the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys' fees, costs and expenses) incurred in the collection of such proceeds.

*"Opinion of Counsel"* means an opinion in writing of legal counsel, who may be counsel to the Trustee, the Town or the Corporation.

*"Outstanding"* or *"Bonds Outstanding"* means, as of the date in question, all Bonds which have been executed and delivered under the Indenture, except:

- (a) Bonds canceled or which have been surrendered to the Trustee for cancellation;
- (b) Bonds in lieu of which other Bonds have been authenticated under the Indenture;
- (c) Bonds which have been prepaid as provided in the Indenture (including Bonds prepaid on a partial payment as provided in the Indenture); and
- (d) Bonds which have been deemed paid under the Indenture.

*"Owner"* or *"Owners"* means, initially, Cede & Co., as nominee for DTC, and if the book entry system of evidence and transfer of ownership in the Bonds is discontinued, the registered owner or owners of any Bond fully registered as shown in the registration books of the Trustee.

*"Payment Schedule"* means the document attached to the Contract which sets forth the Town's Installment Payments.

*"Permitted Investments"* means investments which are qualified under Section 159-30, or any replacement statute, of the General Statutes of North Carolina, as amended from time to time.

*"Person"* or *"person"* means natural persons, firms, associations, corporations and public bodies.

*"Prepayment Fund"* means the special fund of that name created under the Section 3.7 of the Indenture.

*"Projects"* means, initially, the 2024 Projects, as such term may be amended in connection with any other project financed or refinanced with the proceeds of Additional Bonds executed and delivered under the Indenture.

*"Purchase Price"* means the amount advanced by the Corporation to enable the Town to finance the Projects, as such price may be adjusted in connection with the execution and delivery of Additional Bonds under the Indenture.

*"Rebate Fund"* means the special fund of that name created under Section 3.9 of the Indenture.

*"Record Date"* means the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

*"Revenues"* means (a) all Net Proceeds not applied to the replacement of the Mortgaged Property; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund).

“*S&P*” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, “*S&P*” will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

“*State*” means the State of North Carolina.

“*Tax Certificate*” means the Tax Certificate executed by and among the Town, the Corporation and the Trustee to signify the acceptance of certain covenants and obligations necessary for the exclusion of interest with respect to the 2024 Bonds from the gross income of the owners thereof under the Code.

“*Town*” means the Town of Huntersville, North Carolina or any successor to its functions.

“*Town Representative*” means (1) the Mayor, the Town Manager, the Deputy Town Manager, the Finance Director, the Town Clerk, or the person or persons at the time designated to act on behalf of the Town for the purpose of performing any act under this Contract by a written certificate furnished to the Trustee and the Corporation containing the specimen signatures of such person or persons and signed on behalf of the Town by the Mayor, the Town Manager, the Deputy Town Manager, the Finance Director, the Town Clerk, or (2) if any or all of the Town’s rights and obligations are assigned hereunder, the person or persons at the time designated to act on behalf of the Town and the assignee by a written certificate similarly furnished and of the same tenor.

“*Trustee*” means U.S. Bank Trust Company, National Association, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

“*Trust Estate*” means the property pledged and assigned to the Trustee pursuant to and defined as such in the granting clauses of the Indenture.

“*Trustee Representative*” means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act on behalf of the Trustee under the Indenture by a written certificate furnished to the Town and the Corporation containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee.

“*2024 Bonds*” means the Limited Obligation Bonds (Town of Huntersville, North Carolina), Series 2024 evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract, executed and delivered on March 21, 2024 in the name of Cede & Co.

“*2024 Projects*” means the construction, equipping and furnishing of a new Town Hall and the renovations and improvements to the Town’s existing Town Hall building.

“*Underwriter*” means, with respect to the 2024 Bonds, Robert W. Baird & Co. Incorporated.

## THE CONTRACT

***Advancement.*** In the Contract, the Corporation agrees to make an advance to the Town of the Purchase Price, and the Town accepts from the Corporation the Purchase Price to be applied in accordance with the terms and conditions of the Contract. The Town will use the proceeds of the Purchase Price to finance the Projects and to pay certain costs incurred in connection with the execution and delivery of the Bonds.

***Title; Release of Security Interest.*** Title to the Mortgaged Property and any and all additions, repairs, replacements or modifications thereto will be in the Town from and after the date of execution and delivery of the Contract. The Town will own the Mortgaged Property free and clear of any lien or security interest created by the Contract and the Deed of Trust, as applicable, on the repayment in full of the Purchase Price and the payment of all other amounts due under the Contract. The Town will deliver to the Trustee the Deed of Trust simultaneously with the execution and delivery of the Contract and will cause the Deed of Trust to be recorded in the Mecklenburg County Register of Deeds. On payment in full of all of the Town's obligations under the Contract, including the Purchase Price and all other payments due under the Contract, the Corporation or its assignee, at the Town's expense and request, will discharge the Indenture and release the lien on the Mortgaged Property, at which time the Contract will terminate.

***Installment Payments; Additional Payments.*** As consideration for the Corporation's advance of the Purchase Price to the Town, the Town shall repay to the Trustee, as assignee of the Corporation under the Indenture, the Purchase Price in installments with interest as provided in the Contract and the Payment Schedule attached to the Contract (each an "*Installment Payment*"). Each installment shall be deemed to be an Installment Payment and shall be paid in the amounts and at the times set forth on the Payment Schedule except as provided in the Contract. There shall be credited against the amount of Installment Payments otherwise payable under the Contract amounts equal to (1) earnings derived from the investment of the Bond Fund and the Prepayment Fund and (2) any other money not constituting Installment Payments required to be deposited in the Bond Fund. Installment Payments shall be sufficient in the aggregate to repay the Purchase Price together with interest thereon. As further consideration for the Corporation's advance of the Purchase Price to the Town, the Town shall also pay the Additional Payments, as required in the Contract, on a timely basis directly to the person or entity to which such Additional Payments are owed.

***Limited Obligation of the Town.*** NOTWITHSTANDING ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WHICH MAY BE TO THE CONTRARY, NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE TOWN WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE CONTRACT, THE DEED OF TRUST OR THE INDENTURE SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE TOWN WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE CONTRACT, THE DEED OF TRUST AND THE INDENTURE SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE TOWN TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE TOWN FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE TOWN TO APPROPRIATE FUNDS WHICH RESULTS IN THE FAILURE BY THE TOWN TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE TOWN IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE UNDER THE CONTRACT. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE TOWN'S MONEY, NOR SHALL ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE ISSUANCE OF ANY OF THE TOWN'S BONDS OR OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE TOWN'S MONEY. TO THE EXTENT OF ANY CONFLICT BETWEEN THIS PROVISION AND ANY OTHER PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST, THIS PROVISION SHALL TAKE PRIORITY.

***Damage, Destruction or Condemnation; Use of Net Proceeds.*** If, during the term of the Contract, (1) any portion of the Mortgaged Property is destroyed or damaged by fire or other casualty; (2) title to or the temporary or permanent use of any portion of the Mortgaged Property or the estate of the Town or the

Corporation or its assignee in any portion of the Mortgaged Property is taken under the power of eminent domain by any governmental authority; (3) a material defect in construction of any portion of the Mortgaged Property becomes apparent; or (4) title to or the use of any portion of the Mortgaged Property is lost by reason of a defect in title thereto, then the Town continues to be obligated, subject to the provisions set forth below, to pay the amounts specified in the Contract at the respective times required and written notice of any of the foregoing shall promptly be given to the Trustee.

Subject to the provisions set forth below, the Town shall direct the Trustee in writing to cause the Net Proceeds of any insurance policies, performance or payment bonds, if any, condemnation awards or Net Proceeds made available by reason of any occurrence described above, to be deposited in a separate fund held by the Trustee. Except as set forth below, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Mortgaged Property on receipt of requisitions approved by a Town Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the Acquisition and Construction Fund or such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee will cooperate with the Town in the administration of such separate fund and shall not unreasonably withhold its approval of requisitions under this paragraph. The Trustee shall be fully protected in releasing amounts approved by the Town Representative and the Trustee has no duty or obligation to determine whether or not any such requisitioned amounts are appropriate. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Mortgaged Property, the Town may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the Town agrees that, if by reason of any such insufficiency of the Net Proceeds, the Town will make any payments pursuant to the provisions of this paragraph, the Town is not entitled to any reimbursement therefor from the Corporation, the Trustee or the Owners nor is the Town entitled to any diminution of the amounts payable under the Contract. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds will be the property of the Town, subject to the Deed of Trust to the extent it relates to the Mortgaged Property, and will be included as part of the Mortgaged Property as set forth in the Contract.

On the occurrence of an event described above with respect to the Mortgaged Property, the Town may elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) (a) the Net Proceeds are less than \$1,000,000 and (b) a Town Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use or (2) the Town uses the Net Proceeds, together with any other available funds of the Town that may be necessary, to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. In such event, the Town shall direct the Trustee in writing to either deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds or in the Prepayment Fund or an escrow fund to effect the prepayment or defeasance of the Outstanding Bonds, as the case may be.

Within 90 days of the occurrence of an event specified above, the Town will commence the repair, restoration, modification, improvement or replacement of the Mortgaged Property, or will elect, by written notice to the Trustee, to proceed under the provisions of the immediately preceding paragraph. For purposes of these provisions, "commence" will include the retention of an architect or engineer in anticipation of repair, restoration, modification, improvement or replacement of the Mortgaged Property.

**Care and Use.** Subject to the provisions of applicable law and the terms of the Contract, the Town shall use the Mortgaged Property in a careful and proper manner, in compliance with all applicable laws

and regulations, and, at its sole cost and expense, shall service, repair and maintain the Mortgaged Property so as to keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted. The Town shall replace any part of the Mortgaged Property as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged, if necessary to the proper operation of the Mortgaged Property. Any and all additions to or replacements of the Mortgaged Property and all parts thereof shall constitute accessions to the Mortgaged Property and shall be subject to all the terms and conditions of the Contract and included in the term “*Mortgaged Property*” and as used in the Contract.

***General Tax Covenant.*** In the Contract, the Town covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest portion of the Installment Payments created by the Contract and allocable to the 2024 Bonds under Section 103 of the Code. The Town will not directly or indirectly use or permit the use of any proceeds of any fund created under the Indenture allocable to the 2024 Bonds, or take or omit to take any action that would cause the obligation created by the Contract and allocable to the 2024 Bonds to be an “arbitrage bond” within the meaning of Section 148(a) of the Code. To that end, the Town and the Corporation have executed the Tax Certificate and will comply with all requirements of Section 148 of the Code to the extent applicable. The Town further represents and covenants that the Installment Payments created by the Contract and allocable to the 2024 Bonds are not and will not constitute a “private activity bond” as defined in Section 141 of the Code.

***Property Insurance.*** The Town shall continually maintain or cause to be maintained insurance to the full insurable value of the Mortgaged Property against, to the extent commercially available at a reasonable cost, loss by fire, wind damage, hazards customarily included in the term “extended coverage” with responsible and reputable insurance companies and shall promptly pay all premiums therefor when due. All insurance policies and renewals thereof shall name the Corporation and the Trustee as parties insured thereunder, as the respective interests of each of such parties may appear, and have attached thereto a mortgagee long form loss payable clause in favor of the Trustee, and provide that no such policy can lapse or be canceled, substantially modified or terminated without at least 30 days prior notice to the Trustee and that any loss payable thereunder shall be made payable and shall be applied as provided in the Contract. In the event of loss, the Town shall give immediate written notice by mail to the Trustee, who may, but shall not be obligated to, make proof of loss. In the event of a foreclosure of the Deed of Trust or other transfer of title to the Mortgaged Property, all right, title and interest of the Town in any insurance policies then in force shall pass to the Trustee. Additionally, during the term of the Contract, the Town shall continually maintain standard liability insurance as is customarily maintained by like entities with respect to facilities similar to the Mortgaged Property.

The Town may provide for and maintain the insurance required under the Contract partially or wholly by means of an adequate risk retention fund. Reserves for a risk retention fund shall be determined by using actuarial principles. Any risk retention fund shall be reviewed annually by the Town’s risk manager or an independent insurance consultant or actuarial consultant. The Trustee shall conclusively rely on a letter of the Town’s risk manager or an independent insurance consultant or actuarial consultant as to the adequacy of any risk retention fund. The Trustee has made no evaluation as to the sufficiency of the insurance requirements set forth in the Contract.

***Assignment.*** The Town may not sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance on or against any interest in the Contract or the Mortgaged Property (except for permitted encumbrances under the Contract) without the prior written consent of the Trustee. Notwithstanding the foregoing, the Town may lease all or a portion of the Mortgaged Property subject to the following conditions:

(a) the obligation of the Town to make Installment Payments and Additional Payments under the Contract will remain obligations of the Town;

(b) the Town will furnish or cause to be furnished to the Trustee a true and complete copy of such lease at least 30 days before the execution and delivery of any such lease;

(c) no lease will cause the interest component of Installment Payments relating to any Bonds intended to be excludable from gross income of the recipient thereof for federal income tax purposes to become includable in gross income for federal income tax purposes; and

(d) the Trustee may request to receive an Opinion of Counsel to the Town to the effect that such lease is subordinate in all respects to the lien of the Deed of Trust and that such lease is subject to immediate termination at the direction of the Trustee following an Event of Default by the Town under the Contract.

***Amendments and Modifications.***

--*Without Consent of the Owners.* The Indenture provides that the Corporation and the Trustee may, with the written consent of the Town, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust as may be required (a) by the provisions of the Contract, the Deed of Trust or the Indenture; (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Contract or the Deed of Trust; (c) to more precisely identify the Mortgaged Property or to add or substitute improvements acquired in accordance with the Contract, the Deed of Trust and the Indenture; (d) to execute and deliver Additional Bonds as provided in the Indenture; (e) to amend the Town's continuing disclosure obligation as provided in any supplement or amendment to the Contract; or (f) in connection with any other change therein which does not materially adversely affect the interests of the existing Owners.

--*With Consent of the Owners.* The Indenture provides that, except for the amendments, changes or modifications permitted by the above provision, neither the Corporation nor the Trustee will consent to any other amendment, change or modification of the Contract or the Deed of Trust without the giving of notice thereof to the LGC and to the Owners and receipt of consent by the LGC and by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture. If the Town and the Corporation request the consent of the Trustee to any such proposed amendment, change or modification of the Contract or the Deed of Trust, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will be prepared by the Town or the Corporation, shall briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by all Owners.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

***Events of Default.*** The occurrence of the following are considered Events of Default under the Contract:

(a) The Town fails to make any Installment Payment on the date such Installment Payment is due under the Contract;

(b) The Town fails to budget and appropriate money sufficient to pay all Installment Payments and the reasonably estimated Additional Payments coming due in any Fiscal Year;

(c) The Town fails to perform or observe any term, condition or covenant of the Contract on its part to be observed or performed, other than as referred to in (a) or (b) above, or of the Deed of Trust on its part to be observed or performed, or breaches any warranty by the Town therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Town by the Trustee unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Trustee will not unreasonably withhold consent for an extension;

(d) Any bankruptcy, insolvency or reorganization proceedings or similar litigation, is instituted by the Town, or a receiver, custodian or similar officer is appointed for the Town or any of its property, and such proceedings or appointments are not vacated or fully stayed within 90 days after the institution or occurrence thereof; or

(e) Any representation or statement made by the Town in the Contract, in the Deed of Trust or in any other document executed or delivered in connection therewith is found to be incorrect or misleading in any material respect on the date made.

***Remedies on Default.*** On the occurrence of any Event of Default, the Trustee may, and if required by a majority in aggregate principal amount of the Owners of the Bonds, the Trustee shall, to the extent permitted by applicable law and the Contract, exercise any one or more of the following remedies as the Trustee shall elect or as shall be directed in writing by a majority in aggregate principal amount of the Owners of the Bonds:

(a) Declare the unpaid portion of the principal and interest components of Installment Payments immediately due and payable without notice or demand to the Town;

(b) Proceed by appropriate court action to enforce performance by the Town of the applicable covenants of the Contract or to recover for the breach thereof; or

(c) Exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the Contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the Mortgaged Property without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the Town, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorneys' fees, costs and expenses incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition, toward the balance due under the Contract and, thereafter, shall pay any remaining proceeds to the Town.

NOTWITHSTANDING ANY OTHER PROVISIONS IN THE CONTRACT TO THE CONTRARY, IT IS THE INTENT OF THE PARTIES TO THE CONTRACT TO COMPLY WITH GENERAL STATUTES OF NORTH CAROLINA SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN VIOLATION OF SECTION 160A-20 INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED



PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT.

## THE INDENTURE

***Funds and Accounts.*** The Indenture creates (1) the Bond Fund; (2) the Prepayment Fund; (3) the Rebate Fund; and (4) the Acquisition and Construction Fund, to be held in trust by the Trustee.

--*The Bond Fund.* There has been created and established with the Trustee a special fund to be designated "*Town of Huntersville, NC 2024 Installment Financing Contract Bond Fund*" (the "*Bond Fund*"), the money in which shall be used to pay the principal, premium, if any, and interest with respect to the Bonds. Within the Bond Fund are an Interest Account and a Principal Account, the money in each of which is to be used as set forth in the Indenture. A "*2024 Subaccount of the Interest Account*" has been created within the Interest Account of the Bond Fund. A "*2024 Subaccount of the Principal Account*" has been created within the Principal Account of the Bond Fund.

--*The Interest Account.* There shall be deposited into the Interest Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (2) investment earnings on the Bond Fund and the Prepayment Fund, as provided in the Indenture; (3) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default to the extent required to pay the next installment of interest or any previous installment of interest not paid; (4) all money required to be deposited therein in accordance with the Indenture; and (5) all other money received by the Trustee under the Indenture accompanied by directions from the Town that such money is to be deposited into the Interest Account of the Bond Fund. The Trustee shall credit all amounts deposited into the Interest Account of the Bond Fund, including the amounts set forth in the Contract, toward the interest component of the Installment Payment then due and payable under the Contract. The Trustee shall notify the Town of all amounts credited toward such Installment Payments within 30 days of such credit.

--*The Principal Account.* There shall be deposited into the Principal Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as principal with respect to the Bonds under the Contract; (2) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default after the deposit described under the first paragraph of the caption "--*The Interest Account*" above; (3) all money required to be deposited therein in accordance with the Indenture; and (4) all other money received by the Trustee under the Indenture accompanied by directions from the Town that such money is to be deposited into the Principal Account of the Bond Fund.

--*Use of Money in Bond Fund.* Money in the Interest Account of the Bond Fund shall be used for the payment of the interest with respect to the Bonds as the same becomes due and payable. Money in the Principal Account of the Bond Fund shall be used for the payment of the principal with respect to the Bonds. Investment earnings on money on deposit in the Interest Account and Principal Account of the Bond Fund shall be applied to the next payment of Installment Payments with respect to the Bonds. If the Bonds are to be prepaid in whole pursuant to the Indenture, any money remaining in the Interest Account and the Principal Account of the Bond Fund shall be applied to such prepayment along with other money held by the Trustee for such purpose.

--*The Prepayment Fund.* There has been created and established with the Trustee a special fund to be designated the "*Town of Huntersville, NC 2024 Installment Financing Contract Prepayment Fund*" (the "*Prepayment Fund*"). A "*2024 Account*" has been created within the Prepayment Fund. The Trustee shall deposit into the Prepayment Fund any money provided by the Town as a prepayment of Installment Payments and apply such funds to prepay Installment Payments as directed in writing by the Town. Money on deposit in the Prepayment Fund shall be disbursed for prepayment of the Bonds as provided in the

Indenture. Any income from investment of money in the Prepayment Fund shall be deposited into the Interest Account of the Bond Fund and applied to the interest component of the next payment of the Installment Payments. Whenever any money on deposit in the Prepayment Fund is disbursed for prepayment of less than all of the Outstanding Bonds, the Installment Payments set forth in the Contract shall be recalculated by the Trustee to reflect the reduction in the outstanding principal amount of the Bonds after such prepayment.

--*The Rebate Fund.* If the Town informs the Trustee in writing that funds are to be set aside in a separate account of the Trustee to be held for the payment of rebate payments to the Federal Government pursuant to the terms of the Tax Certificate, the Trustee shall create and establish the “*Town of Huntersville, NC 2024 Installment Financing Contract Rebate Fund*” (the “*Rebate Fund*”) and a “*2024 Account*” within the Rebate Fund. The Trustee shall deposit in the Rebate Fund the amounts as directed by the Town. The Town shall make or cause to be made the calculation or calculations required by the Tax Certificate and shall direct the Trustee in writing to make deposits and disbursements from the Rebate Fund in accordance therewith. The Trustee shall invest the Rebate Fund as directed by the Town. The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate.

--*The Acquisition and Construction Fund.* There has been created and established with the Trustee a special fund to be designated “*Town of Huntersville, NC 2024 Installment Financing Contract Acquisition and Construction Fund*” (the “*Acquisition and Construction Fund*”) and within the Acquisition and Construction Fund, a separate account designated the “*2024 Account*.” The Trustee shall deposit in the 2024 Account the amount set forth in the Indenture and if no funds remain in the 2024 Account, the Trustee may close the 2024 Account. In addition, the Trustee shall deposit into the Acquisition and Construction Fund such amounts as the Town may designate in a certificate signed by a Town Representative in connection with the execution and delivery of Additional Bonds under the Indenture. Any money held in the Acquisition and Construction Fund or any account thereof shall be invested and reinvested by the Trustee at the direction of the Town in accordance with the Indenture, and the income therefrom shall be retained in the Acquisition and Construction Fund or any account thereof and used (together with all other money held in the Acquisition and Construction Fund) to pay the Cost of Acquisition and Construction attributable to the Projects and otherwise, as directed by the Town in accordance with the Contract. The Trustee shall create additional accounts within the Acquisition and Construction Fund on the Town’s written direction.

***Investment of Money.*** All money held as part of the Bond Fund, the Prepayment Fund, the Acquisition and Construction Fund or any other fund or account created under the Indenture or the Contract except the Rebate Fund will be deposited or invested and reinvested from time to time by the Trustee, at the written direction of the Town as agent of the Corporation, in deposits or investments, which are certified by the Town to be Permitted Investments subject to the following restrictions:

(a) Money in the Acquisition and Construction Fund shall be invested only in obligations which will by their terms mature not later than the date the Town estimates, in a writing provided to the Trustee, the money represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund;

(b) Money in the Bond Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that on the date of each interest and principal payment, there will be in the Bond Fund from matured obligations and other money already in the Bond Fund, cash to pay the interest and principal payable on such payment date; and

(c) Money in the Prepayment Fund shall be invested in obligations which will by their terms mature, or will be subject to prepayment at the option of the owner thereof, on or before the date funds are expected to be required for expenditure or withdrawal.

The Rebate Fund shall be invested and reinvested by the Trustee, at the written direction of the Town. The Town acknowledges that all investment directions given to the Trustee pursuant to the Indenture are required to comply with the terms of the Tax Certificate, and the Trustee may rely upon any such direction as to such compliance.

If the Town fails to provide the Trustee with written investment direction for any funds held by the Trustee under the Indenture, then the Trustee will hold such amounts uninvested in cash and without liability for interest. Any and all such deposits or investments shall be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank, trust company or financial institution under common control with the Trustee and may charge its ordinary and customary fees for such investments, as agreed to by the Town. The Trustee is specifically authorized to enter into agreements with itself or any other person, which agreements guarantee the repurchase of specific Permitted Investments at specific prices. Except as expressly provided in the Indenture, deposits or investments, shall at all times be a part of the fund or account from which the money used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. In computing the amount in any fund or account held under the provisions of the Indenture, obligations purchased as a deposit or investment of money therein shall be valued at the market price thereof, exclusive of accrued interest. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

***Additional Bonds.*** So long as the Contract remains in effect and no Event of Default has occurred and is continuing, Additional Bonds may be executed and delivered on the terms and conditions provided in the Indenture.

Additional Bonds may be delivered by the Trustee at the direction of the Corporation to provide funds to pay: (1) the cost of expanding the Projects, acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the Town for public purposes; (2) the cost of refunding of all or any portion of the Bonds then Outstanding or any other financing obligations of the Town; and (3) the Costs of Issuance relating to the execution, delivery and sale of the Additional Bonds.

Additional Bonds may be executed and delivered only on there being filed with the Trustee:

(a) Originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of the Indenture and approved by the LGC, if so required by law, including requirements regarding approval of the Owners, if applicable, expressly providing that the Additional Bonds being executed and delivered as well as any Bonds and Additional Bonds theretofore executed and delivered will be secured on a parity as provided in the Indenture, except that the date or dates of the Additional Bonds, the rate or rates of interest with respect to the Additional Bonds, the time or times of payment of interest with respect thereto and the principal amount thereof, and provisions for the prepayment thereof, if any, all will be as provided in the supplemental indenture and amendment to the Contract, and further providing for an increase in the Purchase Price and the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as will be necessary to pay (assuming that no Event of Default will occur), the principal, premium, if any, and interest with respect to the Additional Bonds.

(b) A written opinion or opinions of nationally recognized bond counsel and mutually acceptable to the Town and the Corporation, to the effect that the amendment to the Contract and

the execution and delivery of the Additional Bonds have been duly authorized, that the amendment to the Contract is valid and enforceable against the Town and, to the extent applicable, that the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the execution and delivery of the Additional Bonds, and that the execution, sale, and delivery of the Additional Bonds will not constitute a default under the Contract or the Indenture or cause any violation of the covenants, agreements or representations under the Contract or the Indenture.

(c) A written order to the Trustee to deliver the Additional Bonds to the purchaser or purchasers therein identified on payment to the Trustee of a specified sum plus accrued interest, if any.

Each of the Additional Bonds executed and delivered pursuant to the Indenture will evidence a proportionate undivided interest in rights to receive certain Revenues under the Contract, as amended, proportionately and ratably secured with the 2024 Bonds originally executed and delivered and all other issues of Additional Bonds, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any 2024 Bonds or Additional Bond over any other.

#### ***Supplemental Indentures.***

--*Consent of Owners Not Required.* The Trustee and the Corporation may, with the written consent of the Town, but without the consent of, or notice to, the Owners, enter into such indentures supplemental to the Indenture for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation or to surrender any rights or powers herein reserved to or conferred upon the Corporation which are not contrary to or inconsistent with the Indenture as then in effect;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee which are not contrary to or inconsistent with the Indenture as then in effect or to subject to the pledge and lien of the Indenture, additional revenues, properties, or collateral;

(d) To modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;

(e) To make any other change to the Indenture that is determined by the Trustee to be not materially adverse to the interests of the Owners and which does not involve a change requiring consents of specific Owners; or

(f) To execute and deliver Additional Bonds as provided in the Indenture.

*--Consent of Owners Required.* Exclusive of supplemental indentures covered under the caption “*-Consent of Owners Not Required*” above, the written consent of the Town and the LGC and the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding is required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental to the Indenture; provided, however, that (1) if such supplemental indenture will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture, and (2) without the consent of the LGC and the Owners of all the Bonds at the time Outstanding affected thereby nothing contained in the Indenture will permit, or be construed as permitting:

- (a) A change in the terms of prepayment or maturity of the principal amount of or the interest with respect to any Outstanding Bond, or a reduction in the principal amount of or premium payable on any prepayment of any Outstanding Bond or the rate of interest with respect thereto;
- (b) The deprivation of the Owner of any Bond then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);
- (c) A privilege or priority of any Bond or Bonds over any other Bond or Bonds; or
- (d) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

If at any time the Town or the Corporation requests the Trustee to enter into such supplemental indenture for any of the purposes described above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to the Owners of the Bonds then Outstanding at the address shown on the registration books maintained by the Trustee (or by such other method as permitted by the Owners). Such notice will be prepared by the Town or the Corporation, will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as is prescribed by the Town following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

Any consent or request by the Owners of any Bond is conclusive and binding on such Owner and on all future Owners of the Bonds and of any Bonds executed and delivered on the transfer of any Bond, whether or not notation of such consent or request is made on the Bond.

*--Consent of Initial Purchaser, Underwriter or Remarketing Agent.* Notwithstanding anything in the Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required by the Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners and (2) any such holder

providing its consent will not be entitled to receive, nor will the Town be required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

***Exclusion of Bonds Held By or For the Town and the Corporation.*** In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the Town and the Corporation will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned will be disregarded.

***Events of Default.*** Any of the following events are defined as and shall be deemed an “*Event of Default*” under the Indenture:

- (a) Default in the payment of the principal or premium, if any, with respect to any Bond when the same becomes due and payable, whether at the stated maturity thereof or as a sinking fund prepayment or on proceedings for prepayment for which notice of such prepayment was not a conditional notice.
- (b) Default in the payment of any installment of interest with respect to any Bond when the same becomes due and payable.
- (c) The occurrence of an “*Event of Default*” under the Contract.

***Remedies on Default.***

(a) On the occurrence and continuance of an Event of Default, the Trustee may, and shall, if required in writing by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Town, declare the obligations of the Town as to the principal and interest components of Installment Payments and the aggregate principal amount of the Bonds and the accrued interest with respect thereto to be immediately due and payable, whereupon they will, without further action, become due and payable.

(b) The provisions of the preceding paragraph are subject, to the condition that if, after the principal with respect to any of the Installment Payments and the Bonds has been so declared to be due and payable, and before the earlier of (1) the exercise of rights granted under the Deed of Trust or (2) to the extent permitted by applicable law and the Indenture, any judgment or decree for the payment of the money due has been obtained or entered as provided in the Indenture, the defaulting party (the “*Defaulting Party*”) shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal and interest with respect to all Bonds which have become due otherwise than by reason of such declaration (with interest on such overdue installments of principal and interest, to the extent permitted by law, at the rate or rates per annum borne by the Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture other than nonpayment of the principal or interest with respect to the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of paragraph (a) are further subject to the condition that any waiver of any event of default under the Contract and a rescission and annulment of its consequences shall constitute a waiver of



the corresponding Event of Default under the Indenture and a rescission and annulment of the consequences thereof. If notice of such event of default under the Contract has been given as provided in the Indenture, the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) On the occurrence and continuance of any Event of Default and on the written direction of Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding and receipt of indemnity to the Trustee's satisfaction, the Trustee shall, to the extent permitted by the Indenture and applicable law, in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Defaulting Party to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Contract and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Contract or the Indenture, as the case may be;

(2) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the Defaulting Party or the Mortgaged Property held as security therefor, including exercising its rights under the Deed of Trust.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee is obligated to exercise, to the extent permitted applicable law and subject to the Indenture, such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

***Application of Money.*** All money received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture (other than amounts in the Rebate Fund) after an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the outstanding fees of the Trustee and the costs, expenses, liabilities and advances incurred or made by the Trustee, including the reasonable fees, costs, and expenses of its agents and counsel, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal with respect to all of the Bonds have become or have been declared due and payable, all such money shall be applied:

*FIRST* - To the payment to the persons entitled thereto of all installments of interest then due with respect to the Bonds, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

*SECOND* - To the payment to the persons entitled thereto of the unpaid principal and premium, if any, with respect to any of the Bonds which have become due (other than Bonds matured or called for prepayment for the payment of which money is held pursuant to the provisions of the Indenture), in the order of their due dates and beginning with the

earliest due date, and, if the amount available is not sufficient to pay in full the principal of such Bonds due on any particular date, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

*THIRD* - To the payment to the persons entitled thereto of interest on overdue installments of principal, premium, if any, and interest, to the extent permitted by law, and if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such particular installment, to the persons entitled thereto, without any discrimination or privilege; and

*FOURTH* - To be held for the payment to the persons entitled thereto, as the same become due, of the principal, premium, if any, and interest with respect to the Bonds which may thereafter become due in accordance with the terms of the Indenture.

(b) If the principal with respect to all of the Bonds has become due or has been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid with respect to the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law.

Whenever money is to be applied pursuant to the provisions described above, such money shall be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee applies such funds, it shall fix the date (which shall be an Interest Payment Date unless it deems another date more suitable) on which such application is to be made and on such date interest with respect to the amounts of principal to be paid on such dates, and for which money is available, shall cease to accrue. The Trustee shall also select a new record date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such record date and payment date, and shall not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal, premium, if any, and interest with respect to all of the Bonds have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the Town.

***Defeasance.*** If, when the Bonds secured by the Indenture become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal, premium, if any, and interest due and payable with respect to all of the Bonds shall be paid or provision has been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Trustee and the Owners shall then cease, terminate and become void and be discharged and satisfied. In such event, on the request of the Town, the Trustee shall transfer and convey to the Town all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture, and the Trustee shall execute such documents as may be reasonably required by the Town and shall turn over to the Town any surplus in any fund created under the Indenture other than the Rebate Fund and unclaimed funds set aside pursuant to the Indenture.



Outstanding Bonds shall, before the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if (a) in case said Bonds are to be prepaid on any date before their maturity, the Town has given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date, in accordance with the provisions of the Indenture, notice of prepayment of such Bonds on said prepayment date, (b) there has been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to said Bonds on and before the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to prepayment within the next 60 days, the Town has given the Trustee in form satisfactory to it (1) irrevocable instructions to give, as soon as practicable in the same manner as the notice of prepayment is given pursuant to the Indenture, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or prepayment date on which money is to be available for the payment of the principal, premium, if any, and interest with respect to said Bonds, (2) verification from an independent accountant or other nationally recognized expert selected by the Town that the money or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Bonds on and before the prepayment date or maturity date thereof, and (3) an opinion of nationally recognized bond counsel selected by the Town that, to the extent applicable, such deposit of money or Federal Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the applicable Bonds delivered with the expectation that interest with respect thereto will be excludable from the gross income of the owners thereof for federal income tax purposes. Neither the Federal Securities nor money deposited with the Trustee pursuant to the Indenture or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and such Federal Securities or money shall be held in trust for, the payment of the principal, premium, if any, and interest with respect to said Bonds; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other money or Federal Securities then held by the Trustee as described above) to pay when due the principal, premium, if any, and interest to become due with respect to said Bonds on or before such prepayment date or maturity date thereof, as the case may be. At such time as any Bonds shall be deemed paid as aforesaid, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such money or Federal Securities deposited with the Trustee.

The release of the obligations of the Corporation described in the preceding paragraph is without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture.

## **THE DEED OF TRUST**

***Deed of Trust and Security Interest.*** To secure (1) the obligations of the Town to make the Installment Payments and (2) the payment and performance of all the other liabilities and obligations, whether now existing or hereafter arising, of the Town to the Corporation under the Contract and the Deed of Trust, the Town has granted and conveyed to the Deed of Trust Trustee for the benefit of the Beneficiary, its successors and assigns all right, title and interest that the Town now has or may hereafter acquire in the Mortgaged Property as more fully described in the Deed of Trust.

***Town's Continuing Obligation.*** The Town will remain liable for full payment and performance, as the case may be, of all obligations secured by the Deed of Trust, notwithstanding the occurrence of any event or circumstance whatsoever. However, no deficiency judgment may be rendered against the Town in favor of the Beneficiary in violation of Section 160A-20 of the North Carolina General Statutes, including, without limitation, any deficiency judgment for amounts that may be owed under the Contract or the Deed of Trust when the sale of all or any portion of the Mortgaged Property is insufficient to produce enough money to pay in full all remaining obligations under the Contract or the Deed of Trust.

***Release of Mortgaged Property.*** Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the Deed of Trust Trustee must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(a) In connection with any release of the Mortgaged Property, or any part thereof, there shall be filed with the Beneficiary a certified copy of the resolution of the Board of Commissioners for the Town stating the purpose for which the Town desires such release of the Mortgaged Property, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for the payment by the Town of all expenses in connection with such release.

(b) In connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, either (1) the tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 50% of the aggregate principal components of the Installment Payments related to the Bonds then Outstanding under the Indenture or (2) the Town (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation, or its assignee, an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of any Outstanding Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property.

(c) In connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, such release shall not prohibit the Town's ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released.

(d) In connection with the release of all property constituting the entire Mortgaged Property, there is paid to the Beneficiary an amount sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Indenture.

***Grant and Release of Easements.*** Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the Town may at any time or times grant easements, licenses, rights of way and other rights and privileges in the nature of easements with respect to any part of the Mortgaged Property and the Town may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written request of the Town requesting such instrument and (c) a certificate executed by the Town that the grant or

release is not detrimental to the proper conduct of the operations of the Town at the Mortgaged Property and will not impair the effective use, nor materially decrease the value, of the Mortgaged Property.

***Release of Fixtures.*** Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the Town may at any time or times release Fixtures to be added to the Mortgaged Property from the security interest created by the Deed of Trust with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to release any such Fixture but only upon receipt of (a) a copy of the instrument of release, (b) a written request of the Town requesting such instrument and (c) a certificate executed by the Town that the release is not detrimental to the proper conduct of the operations of the Town at the Mortgaged Property and will not impair the effective use, nor materially decrease the value, of the Mortgaged Property.

***Amendments.*** See “THE CONTRACT—*Amendments and Modifications*” above.

***Events of Default.*** The term “*Event of Default*” as used in the Deed of Trust, shall mean any one or more of the following events:

(a) The occurrence of any “*Event of Default*” under the Contract; or

(b) Failure by the Town to perform or observe any term, condition or covenant of the Deed of Trust on its part to be observed or performed, other than as referred to in (a) above, or breach of any warranty by the Town therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Town by the Deed of Trust Trustee or the Beneficiary unless the Deed of Trust Trustee or the Beneficiary agrees in writing to an extension of such time before its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Deed of Trust Trustee or the Beneficiary will not unreasonably withhold consent for an extension.

***Acceleration on Default; Additional Remedies.*** If an Event of Default has occurred and is continuing, the Beneficiary shall, at the written direction of a majority in aggregate principal amount of the Owners of the Outstanding Bonds, declare all Indebtedness to be due and payable and the same shall thereupon become due and payable in accordance with the Contract and the Deed of Trust without any presentment, demand, protest or notice of any kind. Thereafter, the Beneficiary may, to the extent permitted by applicable law and subject to the Contract:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Property, or any part thereof, in its own name or in the name of the Deed of Trust Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof, and, with or without taking possession of the Mortgaged Property, sue for or otherwise collect the rents and issues thereof, including those rents and issues past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney’s fees, upon any Indebtedness, all in such order as the Beneficiary may determine. The entering upon and taking possession of the Mortgaged Property, the collection of such rents and issues and the application thereof as aforesaid, shall not cure or waive any Event of Default or notice of Event of Default under the Deed of Trust or invalidate any act done in response to such Default or pursuant to such notice of Default and notwithstanding the continuance in possession of the Mortgaged Property or the collection, receipt and application of rents and issues, the Deed of Trust Trustee or the Beneficiary, to the extent permitted by applicable law and

subject to the Contract, shall be entitled to exercise every right provided for in any instrument securing or relating to the Indebtedness or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose the Deed of Trust as a mortgage, specially enforce any of the covenants of the Deed of Trust, or cause the Deed of Trust Trustee to foreclose the Deed of Trust by power of sale; and

(c) To the extent permitted by applicable law and subject to the Contract, exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of North Carolina or under any other applicable laws.

NOTWITHSTANDING ANY PROVISIONS CONTAINED IN THE DEED OF TRUST, IT IS THE INTENT OF THE PARTIES TO COMPLY WITH THE PROVISIONS OF NORTH CAROLINA GENERAL STATUTES SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN FAVOR OF THE BENEFICIARY IN VIOLATION OF SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THE DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THE DEED OF TRUST. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE DEED OF TRUST, NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE TOWN IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THE DEED OF TRUST AND THE TAXING POWER OF THE TOWN IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE OR SECURED UNDER THE DEED OF TRUST.

**APPENDIX D**  
**FORM OF OPINION OF BOND COUNSEL**

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March \_\_\_, 2024

Town of Huntersville, North Carolina  
Huntersville, North Carolina

Huntersville Public Facilities Corporation  
Huntersville, North Carolina

U.S. Bank Trust Company, National Association  
Charlotte, North Carolina

**\$27,410,000**  
**Limited Obligation Bonds**  
**(Town of Huntersville, North Carolina), Series 2024**  
**Evidencing Proportionate Undivided Interests in Rights to**  
**Receive Certain Revenues Pursuant to an Installment Financing Contract**  
**between the Huntersville Public Facilities Corporation and**  
**the Town of Huntersville, North Carolina**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery of the \$27,410,000 Limited Obligation Bonds (Town of Huntersville, North Carolina), Series 2024 (the “2024 Bonds”) evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to an Installment Financing Contract dated as of March 1, 2024 (the “Contract”) between the Huntersville Public Facilities Corporation, a nonprofit corporation organized and existing under the Constitution and laws of the State of North Carolina (the “Corporation”), and the Town of Huntersville, North Carolina (the “Town”).

The 2024 Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of March 1, 2024 (the “Indenture”) between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). To secure its obligations under the Contract, the Town has executed and delivered a Deed of Trust, Security Agreement and Fixture Filing dated as of March 1, 2024 (the “Deed of Trust”) from the Town to the deed of trust trustee named therein. The Corporation has assigned to the Trustee pursuant to the Indenture all of its rights, title and interest in and to the Contract, including the right to receive Installment Payments, but excluding certain reserved rights described in the Indenture, and the Deed of Trust. Each capitalized term used but not defined herein has the meaning given to such term in the Contract and the Indenture, as applicable.

The proceeds of the 2024 Bonds will be disbursed by the Trustee to (1) finance the construction, equipping and furnishing of a new Town Hall and the renovations and improvements to the Town’s existing Town Hall building and (2) pay financing costs related to the 2024 Bonds. The Town has agreed under the Contract to pay its Installment Payments required thereunder directly to the Trustee.

In our capacity as Bond Counsel, we have examined executed copies of the Indenture, the Deed of Trust and the Contract, a specimen of the 2024 Bonds and such law and certified proceedings, instruments,

opinions and other documents as we have deemed necessary to render the opinions hereinafter expressed. As to questions of fact material to the opinions hereinafter expressed, we have relied on representations of the Corporation and the Town contained in the Contract and the related documents thereto, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Corporation and the Town, without undertaking to verify the same by independent investigation. We have also relied on the opinion of Emily Sloop, Esq., Town Attorney, dated the date hereof, with respect to the Town's due authorization, execution and delivery of the Contract and other matters set forth therein. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings that we have examined 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 upon such public records, certifications, documents, opinions and proceedings.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and is a valid, binding and enforceable obligation of the Corporation and, assuming the due authorization, execution and delivery by the Trustee, creates a valid lien on the Revenues in favor of the Trustee for the benefit of the Owners of the 2024 Bonds.

2. The Contract has been duly authorized, executed and delivered by the Town and the Corporation and is a valid, binding and enforceable obligation of the Town and the Corporation.

3. The 2024 Bonds have been duly authorized, executed and delivered for the purposes described above. The 2024 Bonds evidence valid and legally binding proportionate undivided interests in the Revenues pursuant to the Contract, enforceable in accordance with their terms. The 2024 Bonds are entitled to the benefits and security of the Indenture for the payment thereof from certain amounts to be paid under the Contract in accordance with the terms of the Indenture and the Contract.

4. The portion of the Installment Payments designated and paid as interest with respect to the 2024 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; 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 for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the Town and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the execution and delivery of the 2024 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The Town and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2024 Bonds. We express no opinion regarding other federal tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest with respect to the 2024 Bonds.



5. The portion of the Installment Payments designated and paid as interest under the Contract with respect to the 2024 Bonds is exempt from State of North Carolina income taxation.

The rights of the Owners of the 2024 Bonds and the enforceability of the Indenture, the Contract and the 2024 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 execution and delivery of the 2024 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 2024 Bonds and the tax-exempt status of interest with respect thereto. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the 2024 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein relating thereto (excepting only the matters set forth as our opinion in the Official Statement and the section entitled "**TAX TREATMENT**") or as to the financial resources of the Town or the ability of the Town to make the payments required under the Contract, that may have been relied on by anyone in making the decision to purchase the 2024 Bonds.

This opinion is delivered to you and for your benefit in connection with the above transaction; it may not be relied on by you for any other purposes and may not be relied on by, nor may copies be provided to, any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

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**APPENDIX E**  
**BOOK-ENTRY ONLY SYSTEM**

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## BOOK-ENTRY ONLY SYSTEM

### The Depository Trust Company

a subsidiary of The Depository Trust & Clearing Corporation

Beneficial ownership interests in the 2024 Bonds will be available only in a book-entry system. The actual purchasers of the 2024 Bonds (the “*Beneficial Owners*”) will not receive physical bonds representing their interests in the 2024 Bonds purchased. So long as The Depository Trust Company (“*DTC*”), Jersey City, New Jersey, or its nominee is the registered owner of the 2024 Bonds, references in this Official Statement to the Owners of the 2024 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, ITS PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE 2024 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE 2024 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2024 BONDS AND/OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

1. DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for the 2024 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2024 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCE HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE 2024 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE 2024 BONDS.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the 2024 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests with respect to the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

4. To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2024 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of 2024 Bonds may wish to ascertain that the nominee holding the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2024 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2024 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

BECAUSE DTC IS TREATED AS THE OWNER OF THE 2024 BONDS FOR SUBSTANTIALLY ALL PURPOSES UNDER THE INDENTURE, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OF REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE CORPORATION, TO THE TOWN, TO DTC OR TO THE TRUSTEE, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

8. Redemption proceeds, distributions, and dividend payments on the 2024 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Corporation, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Town or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. THE CORPORATION AND THE TOWN CANNOT AND DO NOT GIVE ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

9. A Beneficial Owner shall give notice to elect to have its 2024 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2024 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2024 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2024 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2024 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2024 Bonds to the Remarketing Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the 2024 Bonds at any time by giving reasonable notice to the Corporation, the Town and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2023 Bond certificates are required to be printed and delivered.

11. The Corporation or the Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2023 Bond certificates will be printed and delivered to DTC.

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

THE CORPORATION, THE TOWN AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2024 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE INDENTURE TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL PREPAYMENT OF THE 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2024 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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