NEW ISSUE BOOK-ENTRY ONLY **Ratings: Moody's: Aa3**
S&P: AA-
(See "RATINGS" herein)

In the opinion of Bond Counsel and subject to the qualifications described in this Official Statement, interest on the 2024 Bonds is not includable in gross income for federal income tax purposes, and interest on the 2024 Bonds is exempt from current State of North Carolina income taxes. See "TAX TREATMENT" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the 2024 Bonds.

$65,910,000
MACON COUNTY, NORTH CAROLINA
LIMITED OBLIGATION BONDS, SERIES 2024

Dated: Date of Delivery **Due:** October 1, as shown on the inside front cover

This Official Statement has been prepared by Macon County, North Carolina (the "County") to provide information on the Macon County, North Carolina Limited Obligation Bonds, 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.

Security: The payment by the County of the principal of and interest on the 2024 Bonds is limited to funds appropriated for that purpose by the Board of Commissioners for the County in its sole discretion, except to the extent payable from proceeds of the 2024 Bonds, investment earnings, Net Proceeds related to casualty or condemnation proceeds, or amounts derived from the enforcement of remedies on default.

As security for the 2024 Bonds, the County has executed and delivered a deed of trust, granting, among other things, a lien of record on the Mortgaged Property subject to Permitted Encumbrances (as such terms are defined herein).

THE OBLIGATION TO MAKE PAYMENTS WITH RESPECT TO THE 2024 BONDS IS NOT A GENERAL OBLIGATION OF THE COUNTY, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONIES DUE TO THE OWNERS OF THE 2024 BONDS. See **"SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS"** herein.

Redemption: The 2024 Bonds are subject to optional redemption as described herein.

Purpose: Proceeds of the 2024 Bonds will be used (1) to acquire, construct, equip and finance a new high school, and (2) to pay certain costs incurred in connection with the issuance of the 2024 Bonds.

Interest Payment Dates: April 1 and October 1 of each year, commencing April 1, 2025

Denomination: $5,000 or integral multiples thereof

Delivery: On or about September 26, 2024

Bond Counsel: Sanford Holshouser LLP

County Attorney: Eric Ridenour, Esq.

Financial Advisor: Davenport & Company LLC

Underwriters' Counsel: Pope Flynn, LLC

Trustee: U.S. Bank Trust Company, National Association

Baird **Wells Fargo Securities**

The date of this Official Statement is September 11, 2024.

MATURITY SCHEDULE

$65,910,000
Macon County, North Carolina
Limited Obligation Bonds, Series 2024

Due October 1	Principal Amount	Interest Rate	Yield	CUSIP+
2025	$3,295,000	5.000%	2.530%	555645AS9
2026	3,295,000	5.000	2.450	555645AT7
2027	3,295,000	3.000	2.450	555645AU4
2028	3,295,000	5.000	2.470	555645AV2
2029	3,295,000	5.000	2.500	555645AW0
2030	3,295,000	5.000	2.580	555645AX8
2031	3,295,000	5.000	2.680	555645AY6
2032	3,295,000	5.000	2.790	555645AZ3
2033	3,295,000	5.000	2.850	555645BA7
2034	3,295,000	5.000	2.890	555645BB5
2035	3,295,000	5.000	3.020*	555645BC3
2036	3,295,000	5.000	3.060*	555645BD1
2037	3,295,000	5.000	3.110*	555645BE9
2038	3,295,000	5.000	3.130*	555645BF6
2039	3,295,000	5.000	3.210*	555645BG4
2040	3,295,000	5.000	3.300*	555645BH2
2041	3,295,000	5.000	3.390*	555645BJ8
2042	3,300,000	5.000	3.450*	555645BK5
2043	3,295,000	4.000	3.950*	555645BL3
2044	3,300,000	4.000	4.000	555645BM1

* Yield to October 1, 2034 par call.
+ CUSIP numbers have been assigned by an organization not affiliated with the County or the Underwriters, and are included solely for the convenience of the holders of the 2024 Bonds. Neither the County nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the 2024 Bonds or as indicated above.

IN CONNECTION WITH THIS OFFERING, ROBERT W. BAIRD & CO. INCORPORATED AND WELLS FARGO BANK, NATIONAL ASSOCIATION (THE "UNDERWRITERS") 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. The information set forth herein has been obtained from the County and other sources that are deemed to be reliable.

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 TRUST AGREEMENT 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 TRUST AGREEMENT 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 COUNTY 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 County 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 web site 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 web sites 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 Underwriters do not guarantee the accuracy or completeness of such information.

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MACON COUNTY, NORTH CAROLINA

BOARD OF COMMISSIONERS

Gary Shields, Chair
Danny Antoine
Paul Higdon
John Shearl
Josh Young

COUNTY STAFF

Derek Roland .... County Manager

Tammy Keezer.. Human Resources Director

Lori M. Carpenter .... Finance Director

Eric Ridenour, Esq. .... County Attorney

BOND COUNSEL

Sanford Holshouser LLP

FINANCIAL ADVISOR

Davenport & Company LLC

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Macon County, North Carolina
Limited Obligation Bonds, Series 2024

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the Macon County, North Carolina Limited Obligation Bonds, Series 2024 in the aggregate principal amount of $65,910,000 (the "2024 Bonds").

The 2024 Bonds will be issued pursuant to a Trust Agreement dated as of September 1, 2024 (the "Trust Agreement"), between Macon County, North Carolina (the "County") and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

THE COUNTY

The County is a political subdivision of the State of North Carolina (the "State"). See Appendix A, "**THE COUNTY**," hereto for certain information regarding the County. The County's most recent audited financial statements are contained in Appendix B hereto.

PURPOSE

The 2024 Bonds are being issued in order (i) to acquire, construct, equip and finance a new Franklin High School ("Franklin High School"), and (ii) to pay certain costs incurred in connection with the issuance of the 2024 Bonds. See "**THE PLAN OF FINANCE**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

SECURITY

The payment by the County of the principal of and interest on the 2024 Bonds is limited to funds appropriated for that purpose by the Board of Commissioners for the County (the "Board of County Commissioners") in its sole discretion, except to the extent payable from proceeds of the 2024 Bonds, investment earnings, Net Proceeds related to casualty or condemnation proceeds, or amounts derived from the enforcement of remedies on default.

As security for the 2024 Bonds and any additional bonds issued under the Trust Agreement on a parity therewith (the "Additional Bonds" and together with the 2024 Bonds, the "Bonds"), the County will execute and deliver to a deed of trust trustee (the "Deed of Trust Trustee"), for the benefit of the Trustee, a Deed of Trust and Security Agreement dated as of September 1, 2024 (the "Deed of Trust") granting a lien of record on the site of Franklin High School in Franklin, North Carolina, and the real estate improvements thereon and appurtenances thereto (collectively, the "Mortgaged Property"), all as more particularly described in the Deed of Trust, subject only to Permitted Encumbrances (as defined in Appendix C hereto). The Deed of Trust authorizes future obligations evidenced by Additional Bonds (as described below) to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured by the Deed of Trust at any one time does not exceed $125,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

In addition, the County will grant to the Trustee a lien on and security interest in all moneys held by the Trustee in the funds and accounts created under the Trust Agreement.

If a default occurs under the Trust Agreement, the Trustee is authorized to direct the Deed of Trust Trustee to foreclose on the Mortgaged Property and apply the proceeds received as a result of any such foreclosure to the payment of the amounts due to the owners of the 2024 Bonds, subject to the rights of the owners of any other Bonds. No assurance can be given that any such proceeds will be sufficient to pay the principal of and the interest on the Bonds. In addition, no deficiency judgment can be rendered against the County if the proceeds from any such foreclosure sale (together with other funds that may be held by the Trustee under the Trust Agreement) are insufficient to pay the Bonds in full. The 2024 Bonds do not constitute a pledge of the County's faith and credit within the meaning of any constitutional provision. See "**SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS**" herein.

THE 2024 BONDS

The 2024 Bonds will be dated as of their date of delivery. Interest is payable on April 1 and October 1 of each year, beginning April 1, 2025, at the rates set forth on the inside front cover page of this Official Statement. Principal is payable, subject to redemption as described herein, on October 1 in the years and in the amounts set forth on the inside front cover page of this Official Statement.

ADDITIONAL BONDS

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then-outstanding Bonds and without notice to such Owners, Additional Bonds may be delivered and secured on parity with the 2024 Bonds to provide funds (a) to expand or improve the Pledged Facilities (as defined in the Deed of Trust), (b) to construct further improvements to the Pledged Sites (as defined in the Deed of Trust), (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any such facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of these purposes. See "**SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS—ADDITIONAL BONDS**" herein.

BOOK-ENTRY ONLY

The 2024 Bonds will be delivered in book-entry form only without physical delivery of certificates to beneficial owners of the 2024 Bonds. Payments to beneficial owners of the 2024 Bonds will be made by The Depository Trust Company ("DTC"), and its participants. See Appendix E, "**BOOK-ENTRY ONLY SYSTEM**" hereto. So long as Cede & Co. is the registered owner of the 2024 Bonds, references herein to registered owner or Owners of the 2024 Bonds means Cede & Co. and not the beneficial owners of the 2024 Bonds.

TAX STATUS

In the opinion of Bond Counsel and subject to the qualifications described in this Official Statement, interest on the 2024 Bonds is not includable in gross income for federal income tax purposes, and interest on the 2024 Bonds is exempt from current State of North Carolina income taxes. See "**TAX TREATMENT**" herein for additional information regarding tax consequences arising from ownership or receipt of interest on the 2024 Bonds, including information regarding the application of federal alternative minimum tax provisions to the Bonds and certain other federal, State and local tax consequences.

PROFESSIONALS

Robert W. Baird & Co. Incorporated and Wells Fargo Bank, National Association (the "Underwriters") are underwriting the 2024 Bonds. U.S. Bank Trust Company, National Association is serving as Trustee with respect to the 2024 Bonds. Davenport & Company LLC is serving as financial advisor. Sanford Holshouser LLP is serving as Bond Counsel. Eric Ridenour, Esq. is the County Attorney. Pope Flynn, LLC is serving as counsel to the Underwriters.

ADDITIONAL INFORMATION

Summaries of the Trust Agreement and the Deed of Trust, including a list of definitions of certain terms, are included as Appendix C. All quotations from and summaries and explanations of the Trust Agreement and the Deed of Trust contained in this Official Statement, including in Appendix C, do not purport to be complete. Reference is made to such documents for full and complete statements of their respective provisions.

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the County at 5 West Main Street, Franklin, North Carolina 28734, Attention: Finance Director. Copies of such documents can also be obtained during the offering period from Robert W. Baird & Co. Incorporated 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 214 North Tryon Street, 27th Floor, Charlotte, North Carolina 28202.

THE 2024 BONDS

AUTHORIZATION

The County is issuing the 2024 Bonds pursuant to the provisions of Section 20 of Chapter 160A of the North Carolina General Statutes and Article 8 of Chapter 159 of the North Carolina General Statutes, each as amended (collectively, the "Act"), and a resolution of the Board of County Commissioners adopted on August 13, 2024. Each 2024 Bond will be deemed an "installment contract" under the Act.

In addition, the County's issuance of the 2024 Bonds was approved by the North Carolina Local Government Commission (the "LGC") on September 10, 2024. The LGC is a division of the State Treasurer's office charged with general oversight of local government finance in the State. LGC approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing (which includes the financing arrangement for the 2024 Bonds), the LGC must determine, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the proposed financing are not excessive for the local government.

GENERAL

Payment Terms. The 2024 Bonds will be dated their date of delivery. Interest on the 2024 Bonds is payable on each April 1 and October 1 (the "Payment Dates"), beginning April 1, 2025, at the rates set forth on the inside front cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Interest payments will be made to the person shown as the owner of the 2024 Bond as of the applicable Record Date. "Record Date" means the end of the calendar day on the 15th day of the month (whether or not a Business Day) preceding a Payment Date. Principal on the 2024 Bonds is payable on October 1 in the years and amounts set forth on the inside front cover page of this Official Statement. Payments will be effected through DTC. See Appendix E, "**BOOK-ENTRY ONLY SYSTEM**" hereto.

Registration and Exchange. So long as DTC or its nominee is the registered owner of the 2024 Bonds, transfers and exchanges of beneficial ownership interests in the 2024 Bonds will be available only through DTC Participants and DTC Indirect Participants. See Appendix E, "**BOOK-ENTRY ONLY SYSTEM**" hereto. The Trust Agreement describes provisions for transfer and exchange applicable if a book-entry system is no longer in effect. These provisions generally provide that the transfer of the 2024 Bonds is registrable by the Owners thereof, and the 2024 Bonds may be exchanged for an equal aggregate, unredeemed principal amount of 2024 Bonds of the authorized denomination and of the same maturity and interest rate, only upon presentation and surrender of the 2024 Bonds to the Trustee at the principal corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any shipping and tax or other governmental charge payable in connection therewith.

REDEMPTION PROVISIONS

Optional Redemption. The 2024 Bonds maturing on or after October 1, 2035 are subject to redemption at the County's option, in whole or in part on any date on or after October 1, 2034, upon payment of the principal amount to be redeemed plus interest accrued to the redemption date, without any prepayment penalty or premium.

Selection. If less than all of the 2024 Bonds are to be optionally redeemed as described above, the County in its discretion may elect which maturities of 2024 Bonds are to be redeemed. If less than all the 2024 Bonds of any maturity are to be redeemed, the Trustee shall select the 2024 Bonds to be redeemed by lot; provided, however, that so long as a book-entry system with DTC is used for determining beneficial ownership of 2024 Bonds, if less than all the 2024 Bonds within a maturity are to be redeemed, the parties agree that DTC may determine which of the 2024 Bonds within the maturity are to be redeemed in accordance with DTC's then-current rules and procedures.

In any case, (1) the portion of any 2024 Bond to be redeemed must be in the principal amount of $5,000 or some integral multiple thereof, and (2) in selecting 2024 Bonds for redemption, each 2024 Bond will be considered as representing that number of 2024 Bonds which is obtained by dividing the principal amount of that 2024 Bond by $5,000. If a portion of a 2024 Bond is called for redemption, a new 2024 Bond of the same maturity in principal amount equal to the unpaid portion will be delivered to the registered owner upon the surrender of the 2024 Bond.

Effect of Call for Redemption. If on or before the date fixed for redemption funds are deposited with the Trustee to pay the principal and interest accrued to the redemption date with respect to the 2024 Bonds called for redemption, the 2024 Bonds or portions of the 2024 Bonds called for redemption cease to accrue interest from and after the redemption date, and thereafter those 2024 Bonds (1) are no longer entitled to the benefits provided by the Trust Agreement and (2) are not deemed to be Outstanding under the Trust Agreement.

Notice of Redemption. The Trustee, at the County's direction, upon being satisfactorily indemnified with respect to expenses and with at least two Business Days' notice, shall send notice of redemption no less than 30 nor more than 60 days prior to the redemption date, as follows: (1) with respect to any 2024 Bonds being called for redemption for which DTC or its nominee is the registered owner, to DTC, in whatever manner may be provided for under DTC's standard operating rules as then in effect (and if the Trustee is unable to determine those rules, by registered or certified mail, return receipt requested); (2) with respect to any 2024 Bonds for which no book-entry only system of registration is in effect, to each of the registered owners of those 2024 Bonds at their addresses as shown on the Trustee's registration books, by registered or certified mail; and (3) in any case, both (A) to the Municipal Securities Rulemaking Board for posting on its "EMMA" continuing disclosure system, or any successor system, and (B) to the LGC.

Failure to give any notice specified in (1) or (2) above, as applicable, or any defect in that notice, will not affect the validity of any proceedings for the redemption of any 2024 Bonds with respect to which no failure has occurred. Failure to give any notice specified in (3) above, or any defect in that notice, will not affect the validity of any proceedings for the redemption of any 2024 Bonds with respect to which the notice specified in (1) or (2) above is correctly given. Any notice mailed as provided in the Trust Agreement will conclusively be presumed to have been given regardless of whether received by any Owner.

Any redemption notice may state that the redemption to be effected is conditioned upon (1) the Trustee's receipt on or prior to the redemption date of moneys sufficient to pay the principal of and interest on the 2024 Bonds to be redeemed; or (2) any other condition not unacceptable to the Trustee. If a notice contains a condition and the Trustee either (i) does not receive moneys sufficient to pay the principal of and interest on the 2024 Bonds on or prior to the redemption date, or (ii) the stated condition is not fulfilled, in either case on or prior to the redemption date, then redemption will not be made and the Trustee must, within a reasonable time, give notice in a manner in which the redemption notice was given that the moneys were not so received (or condition was not fulfilled) and the redemption was not made.

SECURITY AND SOURCES OF PAYMENT OF 2024 BONDS

GENERAL

The 2024 Bonds are payable from payments to be made by the County pursuant to the Trust Agreement and from certain other moneys, including certain Net Proceeds, if any, and certain amounts realized from any sale or lease of the Mortgaged Property, which payments and other moneys have been pledged to such payment as provided in the Trust Agreement.

PAYMENT OF BONDS; LIMITED OBLIGATION; BUDGET AND APPROPRIATIONS

The County shall cause to be paid, when due, the principal of (whether at maturity, by acceleration, or otherwise) and the interest on the 2024 Bonds at the places, on the dates and in the manner described in the Trust Agreement. The County is obligated to pay Additional Payments in amounts sufficient to pay the fees and expenses of the Trustee, taxes or other expenses required to be paid pursuant to the Trust Agreement. Additional Payments are to be paid by the County directly to the person or entity to which such Additional Payments are owed.

In the Trust Agreement, the County agrees to include in the initial proposal for each of the County's annual budgets for review and consideration by the Board of County Commissioners, in any Fiscal Year, items for all Bond Payments and the reasonably estimated Additional Payments coming due in such Fiscal Year. Notwithstanding that the initial proposed budget includes an appropriation for Bond

Payments and Additional Payments, the Board of County Commissioners may determine not to include such an appropriation in the final County budget for such Fiscal Year; further, the Board of County Commissioners may amend an adopted budget to reduce or delete an approved appropriation. If for any Fiscal Year the County adopts an annual budget that does not appropriate (for that purpose) an amount equal to the Bond Payments and estimated Additional Payments for that Fiscal Year, fails to adopt an annual budget that appropriates (for that purpose) an amount equal to the Bond Payments and estimated Additional Payments coming due during that Fiscal Year within 15 days after the beginning of any Fiscal Year, or amends the annual budget to reduce the amounts appropriated for Bond Payments and Additional Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the County must provide notice of such event to the Trustee and the LGC and post such notice on the MSRB's EMMA system. An Event of Nonappropriation constitutes an Event of Default under the Trust Agreement, which entitles the Trustee to exercise its remedies under the Trust Agreement, including its rights to foreclose on the Mortgaged Property under the Deed of Trust.

IN CONNECTION WITH THE BOND PAYMENTS AND THE ADDITIONAL PAYMENTS, THE APPROPRIATION OF FUNDS THEREFOR IS WITHIN THE SOLE DISCRETION OF THE BOARD OF COUNTY COMMISSIONERS.

TRUST AGREEMENT

Under the Trust Agreement, the County has granted to the Trustee for the benefit of the Owners of the 2024 Bonds a lien on and security interest in all moneys and securities from time to time held by the Trustee under the Trust Agreement.

DEED OF TRUST

General. In connection with the execution and delivery of the 2024 Bonds, the County will execute the Deed of Trust to provide security for its obligations under the Trust Agreement by granting a lien of record on the Mortgaged Property. The Deed of Trust secures the 2024 Bonds and any Additional Bonds issued under the Trust Agreement.

ONLY THE SITE OF FRANKLIN HIGH SCHOOL AND ALL IMPROVEMENTS THEREON WILL BE INCLUDED IN THE DEFINITION OF "MORTGAGED PROPERTY" AND, CONSEQUENTLY, SUCH REAL PROPERTY AND ANY IMPROVEMENTS THEREON WILL BE SUBJECT TO THE LIEN CREATED BY THE DEED OF TRUST. See "**THE PLAN OF FINANCE**" herein.

The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Trust Agreement 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 $125,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

The Deed of Trust will be recorded in the office of the Register of Deeds of Macon County, North Carolina, and the liens created thereby will be insured by a title insurance policy.

Release of Security. The Trustee is required, upon the County's direction and at any time, to release all or a portion of the Mortgaged Property from the lien of the Deed of Trust upon the County's compliance with the following requirements:

(a) The County must file with the Trustee a certificate signed by an appropriate County representative (i) stating that (A) no Event of Default is continuing, (B) the release will not materially impair the intended use of the property remaining subject to the Deed of Trust, and (C) the release complies with the requirements of the Deed of Trust, (ii) providing a copy of the proposed instrument of release, (iii) directing the execution and delivery of the instrument, and (iv) providing evidence of compliance with (b) or (c) below. The Trustee may not release any property pursuant to such terms during the continuation of an Event of Default.

(b) In the case of a proposed release of all the Mortgaged Property, the County must pay to the Trustee (or other fiduciary) an amount (i) that is sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Trust Agreement and (ii) that is required to be used for such payment.

(c) In connection with the release of a portion (but less than all) of the Mortgaged Property, the County must provide evidence to the Trustee that the appraised, tax or insured value of that portion of the Mortgaged Property that is proposed to remain subject to the lien of the Deed of Trust is not less than 50% of the aggregate principal component of the Bonds Outstanding at the time the release is effected.

In addition to the provisions for release described above, so long as the grant or disposition will not materially impair the intended use thereof, the County may from time to time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the County may release such interests, with or without consideration, and the County may dispose of any undesirable or unnecessary fixture.

See "**THE DEED OF TRUST—No Transfers; Releases; Grants of Easements**" in Appendix C hereto.

ENFORCEABILITY

The enforceability of the parties' obligations under the Trust Agreement and the Deed of Trust is subject to bankruptcy, insolvency, reorganization and other laws related to or affecting the enforcement of creditors' rights generally 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.

NOTWITHSTANDING ANYTHING THEREIN TO THE CONTRARY, THE DELIVERY OF THE 2024 BONDS SHALL NOT BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. IN ADDITION, NEITHER THE 2024 BONDS NOR THE TRUST AGREEMENT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATES THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE BOARD OF COUNTY COMMISSIONERS FOR ANY FISCAL YEAR IN WHICH THE 2024 BONDS ARE OUTSTANDING. IF THE COUNTY FAILS TO MAKE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2024 BONDS, THE TRUSTEE MAY DECLARE THE ENTIRE UNPAID PRINCIPAL OF THE 2024 BONDS TO BE IMMEDIATELY DUE AND PAYABLE AND DIRECT THE DEED OF TRUST TRUSTEE TO INSTITUTE FORECLOSURE PROCEEDINGS UNDER THE DEED OF TRUST AND PROCEED IN ACCORDANCE WITH LAW TO ATTEMPT TO DISPOSE OF THE MORTGAGED PROPERTY AND APPLY THE PROCEEDS OF SUCH DISPOSITION TOWARD ANY BALANCE, OWING BY THE COUNTY ON THE 2024 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUCH PROCEEDS WILL BE SUFFICIENT TO PAY ALL PRINCIPAL OF AND INTEREST ON THE 2024 BONDS. IN ADDITION, SECTION 160A-20(f) OF THE NORTH CAROLINA GENERAL STATUTES PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20 AND THAT THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE FROM THE COUNTY. See "**THE TRUST AGREEMENT—Defaults and Remedies under Trust**

Agreement - Acceleration" and "**—Other Remedies**" and "**THE DEED OF TRUST—Defaults and Remedies; Foreclosure**" in Appendix C hereto and the caption "**CERTAIN RISKS OF 2024 BOND OWNERS**" herein.

ADDITIONAL BONDS

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then Outstanding 2024 Bonds, Additional Bonds may be delivered and secured on parity with the 2024 Bonds to provide funds (a) to expand or improve the Pledged Facilities, (b) to construct further improvements to the Pledged Sites, (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any such facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of such purposes. Neither the Trust Agreement nor the Deed of Trust require that additional collateral be added to the Deed of Trust in connection with the issuance of Additional Bonds. See "**THE TRUST AGREEMENT—Additional Bonds**" in Appendix C hereto.

USE OF NET PROCEEDS

The County must elect to use Net Proceeds and other funds available therefor, subject to provisions of the Trust Agreement, to repair and restore the Mortgaged Property or to redeem or defease the 2024 Bonds in whole (but not in part) pursuant to the optional redemption provisions described above or the defeasance provisions of the Trust Agreement, as appropriate. The County has no option to redeem the 2024 Bonds from Net Proceeds other than in accordance with the optional redemption provisions described in "**THE 2024 BONDS—REDEMPTION PROVISIONS**" herein.

AVAILABLE SOURCES FOR PAYMENT

GENERAL

The County may pay its obligations under the Trust Agreement from any source of funds, including revenues generated by the projects financed under the Trust Agreement and other facilities in the County, available to it in each year and appropriated therefor until maturity of the 2024 Bonds.

GENERAL FUND REVENUES

The County's general fund revenues for the Fiscal Year ended June 30, 2023 were \$66,188,368. The County's general fund revenues for the Fiscal Year ended June 30, 2024 were budgeted to be \$63,754,537 and are budgeted to be \$63,704,651 for the Fiscal Year ending June 30, 2025. General fund revenues are derived from various sources, including property taxes (which generated approximately 51.92% of the general fund revenues in the Fiscal Year ended June 30, 2023 and are budgeted to generate approximately 55.82% of general fund revenues in the Fiscal Year ending June 30, 2025), sales taxes, intergovernmental revenues, and fines and forfeitures. For the Fiscal Years ended June 30, 2023 and June 30, 2024, the County imposed a property tax of \$0.40 and \$0.27, respectively, per \$100 of assessed value. For the Fiscal Year ending June 30, 2025, the County will impose a property tax of \$0.27 per \$100 of assessed value. A rate of \$0.01 per \$100 of assessed value in the Fiscal Year ended June 30, 2024 generated approximately \$1,279,681. In the Fiscal Year ending June 30, 2025, a rate of \$0.01 per \$100 of assessed value is expected to generate approximately \$1,295,297. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of a voter referendum. See Appendix B hereto for a description of the uses of the County's general fund revenues for the Fiscal Year ended June 30, 2023.

THE PLAN OF FINANCE

The 2024 Bonds are being issued to provide funds (1) to acquire, construct, equip and finance Franklin High School, and (2) pay certain costs incurred in connection with the issuance of the 2024 Bonds.

Franklin High School will be constructed on 28 acres over two contiguous parcels in Franklin, North Carolina. The approximately 289,000 square-foot school (which includes approximately 12,000 square feet in three separate athletics buildings) will have a capacity for approximately 1,400 students. The estimated cost of Franklin High School is approximately $138,000,000, of which $62,000,000 will be funded by a grant from the Needs-Based Public School Capital Fund administered by the North Carolina Department of Public Instruction. Franklin High School will be procured under the construction manager at risk method with Carroll Daniel Construction serving as the construction manager and LS3P Associates serving as architect.

ONLY FRANKLIN HIGH SCHOOL WILL BE INCLUDED AS PART OF THE MORTGAGED PROPERTY.

Franklin High School will be leased to and operated by the Macon County Board of Education (the "Board of Education") under a Lease Agreement dated as of September 1, 2024 (the "Lease") between the County and the Board of Education. Under the terms of the Lease, following completion of construction, the Board of Education will be responsible for operating and maintaining Franklin High School, including costs of insurance, maintenance and repairs, utilities and all other operating costs associated with operating an elementary school. The term of the Lease will remain in effect so long as any Bonds are Outstanding. If at any point there are no Bonds Outstanding and the Trust Agreement has been terminated, the County agrees in the Lease to transfer the Project to the Board of Education.

ESTIMATED SOURCES AND USES OF FUNDS

The County estimates the sources and uses of funds for the plan of finance to be as follows:

SOURCES:	
Par Amount of the 2024 Bonds	$65,910,000
Original Issue Premium	7,640,274
State Grant	62,000,000
TOTAL SOURCES OF FUNDS	$135,550,274
USES:	
Deposit to Project Fund	$134,867,674
Costs of Issuance[1]	682,600
TOTAL USES OF FUNDS	$135,550,274

[1] Includes legal fees, underwriters' compensation, financial advisor fees, rating agency fees, fees and expenses of the Trustee and miscellaneous fees and expenses.

TOTAL ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the 2024 Bonds for each Fiscal Year of the County.

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 0	$ 1,625,765	$ 1,625,765
2026	3,295,000	3,081,275	6,376,275
2027	3,295,000	2,916,525	6,211,525
2028	3,295,000	2,784,725	6,079,725
2029	3,295,000	2,652,925	5,947,925
2030	3,295,000	2,488,175	5,783,175
2031	3,295,000	2,323,425	5,618,425
2032	3,295,000	2,158,675	5,453,675
2033	3,295,000	1,993,925	5,288,925
2034	3,295,000	1,829,175	5,124,175
2035	3,295,000	1,664,425	4,959,425
2036	3,295,000	1,499,675	4,794,675
2037	3,295,000	1,334,925	4,629,925
2038	3,295,000	1,170,175	4,465,175
2039	3,295,000	1,005,425	4,300,425
2040	3,295,000	840,675	4,135,675
2041	3,295,000	675,925	3,970,925
2042	3,295,000	511,175	3,806,175
2043	3,300,000	346,300	3,646,300
2044	3,295,000	197,900	3,492,900
2045	3,300,000	66,000	3,366,000
Total	$65,910,000	$33,167,190	$99,077,190

CERTAIN RISKS OF 2024 BOND OWNERS

INSUFFICIENCY OF PAYMENTS

If the County fails to pay any payments on the 2024 Bonds as the same become due or if another event of default occurs under the Trust Agreement, the Trustee may accelerate the principal with respect to the 2024 Bonds, 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 DEED OF TRUST**" 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 BONDS. SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE TRUST AGREEMENT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE TRUST AGREEMENT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE BONDS ON A DEFAULT BY THE COUNTY UNDER THE TRUST AGREEMENT ARE LIMITED TO THOSE OF A SECURED

PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE DEED OF TRUST.

RISK OF NONAPPROPRIATION

The appropriation of moneys to make payments pursuant to the Trust Agreement is within the sole discretion of the Board of County Commissioners. If the Board of County Commissioners fails to appropriate such moneys, the only sources of payment for the Bonds will be the moneys, if any, available in certain funds and accounts held by the Trustee under the Trust Agreement and the proceeds of any attempted foreclosure on the County's interest in the Mortgaged Property under the Deed of Trust.

VALUE OF COLLATERAL

The County's estimated value of the Mortgaged Property (as further described under the caption above "**THE PLAN OF FINANCE**") is $111,950,159 after completion of the improvements and renovations being financed with proceeds of the 2024 Bonds, which includes $4,550,000 in estimated land value. This value is based in part on the County's own estimates, and the County has not commissioned or obtained any appraisals for the purpose of this valuation. The amount of proceeds received through foreclosure of the County's interest in the Mortgaged Property may be affected by a number of factors, including (1) the costs and expenses in enforcing the lien and security, (2) the condition of the Mortgaged Property, (3) the occurrence of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received from insurance policies or appropriated moneys from any risk management program, (4) problems relating to the paucity of alternative uses of the facilities arising from their design, zoning restrictions, use restrictions, easements and encumbrances on the Mortgaged Property and (5) environmental problems and risks with respect to the Mortgaged Property.

The Trust Agreement permits the issuance of Additional Bonds without regard to the value of the Mortgaged Property, and the Deed of Trust allows for up to $125,000,000 in principal amount of present and future obligations to be secured thereby. To the extent that Additional Bonds are issued and no additional property is subject to the Deed of Trust, the value of the collateral as a percentage of the outstanding principal amount of Bonds should be expected to decrease, which decrease may be material.

NO REPRESENTATION IS MADE AS TO THE VALUE OF, OR THE AMOUNT OF PROCEEDS THAT MAY BE REALIZED FROM, THE COUNTY'S INTEREST IN THE MORTGAGED PROPERTY IN THE EVENT OF A FORECLOSURE.

UNINSURED CASUALTY

If all or any part of the Mortgaged Property is damaged or destroyed by any casualty or taken by any governmental authority, the County is obligated under the Trust Agreement to apply any Net Proceeds from insurance or condemnation (1) to repair, restore or rebuild the Mortgaged Property or (2) to provide for the redemption or defeasance of all, but not less than all, of the Bonds. If the County applies any Net Proceeds to repair, restore or rebuild the Mortgaged Property and such Net Proceeds are not sufficient to repair, restore or rebuild the Mortgaged Property to its condition prior to such damage, destruction or taking, then the value of the Mortgaged Property would be reduced. The Trust Agreement 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 COUNTY

The County may issue general obligation bonds and notes in the future. The County will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes to be issued. See Appendix A, "**THE COUNTY—DEBT INFORMATION**" attached hereto. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY BOND PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE TRUST AGREEMENT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

ENVIRONMENTAL RISKS

The existing Franklin High School has been in use as a high school since 1952. The County is not aware of any material environmental contamination on the site of Franklin High School.

Undiscovered or future environmental contamination could have a material adverse effect on the value of the Mortgaged Property; however, the County is required under the Trust Agreement to undertake whatever environmental remediation may be required by law.

ADDITIONAL BONDS

The County may execute and deliver Additional Bonds under the Trust Agreement that are secured by the Mortgaged Property, thereby diluting the relative value of the collateral with respect to the 2024 Bonds. In addition, remedies under the Trust Agreement and the Deed of Trust are controlled by the Majority Owners. Upon issuance of the 2024 Bonds, the Owners of the 2024 Bonds will collectively be the Majority Owners, but may not continue to be the Majority Owners if Additional Bonds are issued or if a portion of the 2024 Bonds are redeemed or discharged prior to maturity.

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 State 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 County 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 County 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 County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (2) the incurrence of additional debt, including the claims of those supplying good and services to the County 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 County'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 County 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 County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2024 Bonds.

CYBERSECURITY

The County, 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 County may be the target of cybersecurity incidents that could result in adverse consequences to the County 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 County'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 County invests in various forms of cybersecurity and operational safeguards. These safeguards include a cybersecurity policy applying to all County data, systems, communications, activities, and assets owned, leased, acquisitioned, controlled, or used by the County, its agents, contractors, or other business partners on behalf of the County, as well as all County employees, contractors and subcontractors. The County maintains cyber liability insurance coverage.

While the County's cybersecurity and operational safeguards are periodically tested, the County cannot give any assurances that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the County'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 County costs and expenses. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

CLIMATE CHANGE

The County 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 County.

THE COUNTY

GENERAL

See Appendix A for a description of the County.

FINANCIAL INFORMATION

The financial statements of the County have been audited by certified public accountants for the Fiscal Year ended June 30, 2023. Excerpts from the financial statements of the County for the Fiscal Year ended June 30, 2023 are available in Appendix B hereto.

LEGAL MATTERS

LITIGATION

To the best of the knowledge of the County, no litigation is now pending or threatened against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2024 Bonds, the Trust Agreement or the Deed of Trust, or which contests the County's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County's authorization, execution and delivery of the 2024 Bonds, the Trust Agreement or the Deed of Trust, or the County's authority to carry out its obligations thereunder or which would have a material adverse impact on the County's condition, financial or otherwise.

OPINIONS OF COUNSEL

Legal matters related to the execution, sale and delivery of the 2024 Bonds are subject to the approval of Sanford Holshouser LLP. Certain legal matters will be passed upon for the County by its counsel, Eric Ridenour, Esq., and for the Underwriters by their counsel, Pope Flynn, LLC. The opinion of Sanford Holshouser LLP, as Bond Counsel, substantially in the form set forth in Appendix D hereto, will be delivered at the time of the delivery of the 2024 Bonds.

Bond Counsel's approving legal opinion expresses Bond Counsel's professional judgment as to the legal issues explicitly addressed in the opinion. By rendering a legal opinion, an opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Additionally, the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction, and a bond opinion is not a statement (either expressly or by implication) concerning the marketability, value or likelihood of payment of the 2024 Bonds.

Bond Counsel has not been engaged to investigate the County's operations or condition or the County's ability to provide for payments on the 2024 Bonds. Bond Counsel will express no opinion (1) as to the County's financial condition or its ability to provide for payments on the 2024 Bonds, or (2) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in making a decision to purchase 2024 Bonds, including this Official Statement. Bond counsel has, however, provided the sample legal opinion form that appears as Appendix D, prepared the document summaries that appear as Appendix C, and approved the descriptions in the Official Statement of the terms of the 2024 Bonds and the financing documents. In this transaction, Bond Counsel serves only as bond counsel to the County.

TAX TREATMENT

OPINION OF BOND COUNSEL

Tax Treatment of 2024 Bonds. In the opinion of Sanford Holshouser LLP, Carrboro, North Carolina, Bond Counsel for the County ("Bond Counsel"), under existing law, interest on the 2024 Bonds (1) will not be included in gross income for federal income tax purposes, and (2) will be exempt from existing State of North Carolina income taxation. Interest on the 2024 Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax; 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," as defined below) for the purpose of computing the alternative minimum tax imposed on corporations.

The County has covenanted to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, the use, expenditure and investment of the proceeds derived from the sale of the 2024 Bonds and the timely payment to the United States of any arbitrage profit with respect to the 2024 Bonds. The County's failure to comply with such covenants could cause interest on the 2024 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2024 Bonds.

In addition to the matters addressed above, prospective purchasers of the 2024 Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, certain S corporations, certain foreign corporations subject to the branch profits tax, corporations subject to the environmental tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2024 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Other Matters. Bond Counsel will give its opinions in reliance upon certifications by County representatives and others as to certain facts relevant to the opinion.

Bond Counsel's opinions do not address the tax-exempt status of payments on the 2024 Bonds derived from parties other than the County, even if those payments are denominated as interest with respect to the 2024 Bonds. Bond Counsel will express no other opinion regarding the federal or North Carolina tax consequences of the ownership of or the receipt or accrual of interest on the 2024 Bonds.

Interest on the 2024 Bonds may or may not be subject to state or local taxation in jurisdictions other than North Carolina. Prospective purchasers of the 2024 Bonds should consult their own tax advisors as to the status of interest on the 2024 Bonds under the tax laws of any such jurisdiction other than North Carolina.

ORIGINAL ISSUE PREMIUM

The 2024 Bonds maturing on October 1, 2025 through 2043, inclusive (collectively, the "Premium Bonds") are being sold at an initial offering price in excess of the principal amounts payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes "original issue premium". Original issue premium is not deductible for federal income tax purposes.

For an owner of a Premium Bond, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity).

Bond Counsel's opinion will not specifically address any issues relating to the treatment of premiums paid on Premium Bonds. **Owners of Premium Bonds should consult their tax advisors with respect to the tax consequences of owning or disposing of a Premium Bond**.

CONTINUING DISCLOSURE OBLIGATION

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the County has undertaken in the Trust Agreement to provide, or cause to be provided through the Trustee, to the Municipal Securities Rulemaking Board (the "MSRB"):

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

(2) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2024, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the captions "**THE COUNTY—DEBT INFORMATION**" and "**—TAX INFORMATION**" in Appendix A relating to the 2024 Bonds (excluding any information on overlapping or underlying debt) to the extent such items are not included in the audited financial statements referred to in (1) above;

(3) 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:

(a) principal and interest payment delinquencies;

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

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

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

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

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2024 Bonds, or other material events affecting the tax status of the 2024 Bonds;

(g) modifications to rights of holders of the 2024 Bonds, if material;

(h) calls for redemption of 2024 Bonds (other than calls pursuant to sinking fund redemption), if material, and tender offers;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the 2024 Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar proceedings related to the County or any other person or entity that may at any time become legally obligated to make payments on the 2024 Bonds (collectively, the "Obligated Persons");

(m) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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;

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

(o) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County or any Obligated Person, any of which affect security holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

(4) in a timely manner, not in excess of ten business days after the occurrence of the failure, notice of a failure of the County to provide required annual financial information described in (1) or (2) above on or before the date specified.

"Financial obligation" means, for purposes of the foregoing, (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). 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.

For the purposes of the event identified in subparagraph (3)(l) above, the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

The County shall provide the document referred to above to the MSRB in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

The County may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the U.S. Securities and Exchange Commission.

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

The County has acknowledged in the Trust Agreement that its undertaking pursuant to Rule 15c2-12 is intended to be for the benefit of the registered owners of the 2024 Bonds and is enforceable by the Trustee or by any registered owner of the 2024 Bonds. THE RIGHT TO ENFORCE THE PROVISIONS OF THE COUNTY'S RULE 15C2-12 UNDERTAKINGS IS LIMITED TO A RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE COUNTY'S OBLIGATIONS AND A FAILURE BY THE COUNTY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKINGS WILL NOT BE AN EVENT OF DEFAULT UNDER THE TRUST AGREEMENT AND WILL NOT RESULT IN ACCELERATION OF THE INSTALLMENT PAYMENTS.

The County may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that (1) 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 County; (2) the information to be provided, as modified, would have complied with the requirements of the Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of the Rule 15c2-12, as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the Owners or the beneficial owners, as determined by the Trustee or nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2024 Bonds. Any annual financial information containing modified operating data or financial information will 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 County's Rule 15c2-12 undertakings will terminate upon payment in full, or provision having been made for payment in full, of the principal and interest on the 2024 Bonds.

To the best of the County's knowledge, it has complied in all material respects with its previous continuing disclosure undertakings under Rule 15c2-12 for the past five years.

UNDERWRITING

The Underwriters have agreed under the terms of a Bond Purchase Agreement (the "Purchase Agreement") to purchase all of the 2024 Bonds, if any of the 2024 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount of the 2024 Bonds, plus original issue premium of $7,640,273.70, less an Underwriters' discount of $278,469.19. The Underwriters' obligation to purchase the 2024 Bonds is subject to certain terms and conditions set forth in the Purchase Agreement.

The Underwriters may offer and sell the 2024 Bonds to certain dealers (including dealers depositing the 2024 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside front cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the 2024 Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the 2024 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2024 Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the 2024 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

RATINGS

Moody's Investors Service, Inc. and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, have assigned ratings of "Aa3" and "AA-," respectively, to the 2024 Bonds. These ratings reflect only the view 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.

MISCELLANEOUS

All quotations from and summaries and explanations of the Trust Agreement and the Deed of Trust contained herein or in Appendix C hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement.

The information contained in this Official Statement has been compiled or prepared from information obtained from the County and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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APPENDIX A

THE COUNTY

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APPENDIX A
THE COUNTY

GENERAL DESCRIPTION

The County was originally established in 1828 when it was carved from what was then Haywood County and declared an independent local government. The subsequent creation of additional western North Carolina counties reduced the overall size of the County to its present 515 square mile area. The County is located in far western North Carolina and is often termed "The Center of the Mountain Lands." It rests within the Great Smoky Mountains and is surrounded by the Appalachian and Blue Ridge Mountain Ranges. Approximately 46% of the County's land area is owned by the United States Forest Service, including Nantahala National Forest. The County borders the State of Georgia to its south. The County is known for its natural beauty and proximity to larger population centers, benefiting the County's tourist sector.

The Town of Franklin is the County seat. It lies at the approximate geographic center of the County, has an elevation of 2,080 feet and an average temperature of 56.1 degrees.

DEMOGRAPHIC CHARACTERISTICS

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

2000	2010	2020
29,946	33,922	37,014

The North Carolina Office of State Budget and Management has estimated the County's population to be as follows:

2018	2019	2020	2021	2022
35,596	36,101	37,022	37,041	37,636

According to the North Carolina Office of State Budget and Management, as of July 1, 2022, the Town of Franklin had a population of 4,242, and the Town of Highlands had a population of 1,097.

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

Year	County	State	United States
2018	$38,245	$46,040	$53,309
2019	41,146	48,366	55,547
2020	43,926	51,781	59,153
2021	47,209	56,705	64,430
2022	48,309	58,109	65,470

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

COMMERCE AND INDUSTRY

The following table lists the ten largest employers in the County as of June 30, 2023:

Company	Industry	Employment Number
Macon County Public Schools	Education	675
Macon County	Public Administration	654
Drake Software, Inc.[1]	Telecommunications	641
Ingles Markets, Inc.	Food, Facilities & Uniform Services	509
Wal-Mart Associates Inc	Retail	270
Mission Health (f/k/a Angel Medical Center)	Health Services	226
Drake Enterprises LTD (A Corp)	Telecommunications	151
Lowe's Home Centers Inc	Retail	140
Madison's	Tourism	103
Beasley Flooring (f/k/a Shaw Industries Group)	Manufacturing	88

[1] Formerly part of Drake Enterprises LTD (A Corp).
Source: Annual Comprehensive Financial Reports of the County.

Construction activity in the County for the past five Fiscal Years is indicated by the number and construction value of building permits as set forth in the following table:

Fiscal Year	Number	Non-Residential	Residential	Total
2020	609	$13,902,502	$ 57,321,677	$ 71,224,179
2021	707	62,987,928	131,633,560	194,621,488
2022	767	44,768,048	123,731,560	168,499,608
2023	790	19,859,790	128,713,024	148,572,814
2024	829	22,802,101	149,780,390	172,582,491

Source: Macon County Planning, Permitting & Development Department.

Total taxable sales in the County for the past five full Fiscal Years and the current Fiscal Year are shown in the following table:

Fiscal Year	Taxable Sales	Increase/(Decrease) Over Previous Year
2019	$556,469,301	6.0%
2020	571,501,972	2.7
2021	723,867,477	26.7
2022	846,962,521	17.0
2023	957,089,699	13.0
2024[1]	928,996,434	(2.9)

[1] Preliminary; subject to rounding.
Source: North Carolina Department of Revenue.

Sales tax revenue of the County for the past five Fiscal Years is shown in the following table:

Fiscal Year	Sales Tax Revenue	Increase Over Previous Year
2019	$10,506,182	6.2%
2020	11,062,077	5.3
2021	13,915,746	25.8
2022	15,890,574	14.2
2023	17,801,924	12.0
2024 (11 months)[1]	15,810,942	--

[1] For the 11-month period ended May 31, 2024. Sales tax revenue for the comparable 11-month period ended May 31, 2023 amounted to $16,148,644.
Source: Annual Comprehensive Financial Reports of the County and County Finance Department.

Economic Development

Retail trade, hospitality, health care, construction and tax software development/support are among the predominant private industries in the County. Other important sectors include manufacturing (wood flooring products, health care communication devices, defense services, metal fabrication), agriculture and banking. Second homes and vacation homes also are significant economic drivers, with approximately 19,378 residential tax bills sent to non-county residents, resulting in significant seasonal population gains. The area is also popular as a year-round retirement destination.

The Macon County Economic Development Commission (the "EDC") is the economic development organization for the County. The EDC is comprised of 15 members and serves as an advisory board to the Board of County Commissioners. The EDC collaborates with a number of organizations including the North Carolina Economic Developers Association, Mountain West Partnership, the Southwestern Commission—Region A Council of Government, Southwestern Community College, Western Carolina University, Macon County Public Schools and the North Carolina Partnership for Economic Development, to create a climate for business and industry investment, and quality job creation in the County.

Recent economic development activities in the County include: Duotech Services, LLC, an engineering company specializing in the repair and maintenance of legacy defense equipment, announced an expansion investment of $6.5 million in March 2024 that is expected to create 95 new jobs with an average salary of $90,000. Commercial development continues along the US 441/64 bypass corridor. Recent additions include Aldi grocery, Starbucks, a Frito Lay distribution center and a third Ingles grocery,

Broadband expansion, led by the Macon County Broadband Committee (working with State, regional and private sector partners), continues with connectivity reaching into more remote areas of the County. These efforts are essential for continued economic growth. Workforce development efforts continue, with paid internship programs being implemented by the Macon County Public Schools' Career Technology Education programs.

Tourism. Visitor spending in the County exceeded $337.41 million in calendar year 2022 (latest figures available from the North Carolina Department of Commerce), providing over 1,702 jobs. Franklin, the first town to be named an Appalachian Trail Gateway Community by the Appalachian Trail Conservancy, is known for many "green" tourism options such as hiking, trout fishing, whitewater rafting, backpacking, biking and hunting. Local outfitting companies and two breweries have been established in recent years to accommodate the growing number of eco-visitors. Franklin also retains its reputation as the "Gem Capital of the World", with several gem mines operating in the area, offering visitors the opportunity to mine for rubies and sapphires. The Smoky Mountain Center for the Performing Arts, a 1,500-seat venue, offers nationally known musical and theatrical productions. The Town of Highlands, located in the southeastern portion of the County, is an internationally known vacation and second home destination. Just two hours north of Atlanta, surrounded by the Nantahala National Forest and situated atop a plateau elevation at 4,118 feet, the abundance of lakes and waterfalls provides visitors with opportunities to hike, picnic and enjoy the outdoors. Highlands attracts guests for destination weddings, weekend getaways and family retreats. In the western part of the County, Lake Nantahala boasts a growing vacation home and tourism economy.

Employment

The North Carolina Department of Commerce has estimated the percentage of unemployment in the County to be as follows:

	2020	2021	2022	2023	2024
January	4.2%	5.8%	3.6%	3.8%	3.4%
February	4.1	5.6	3.8	3.8	3.5
March	4.9	5.0	3.4	3.3	3.4
April	13.6	4.4	3.1	2.7	2.9
May	11.0	4.6	3.5	3.0	3.2
June	8.8	4.9	3.9	3.1	3.7
July	8.0	4.4	3.6	3.2	N/A
August	5.9	4.3	3.9	3.3	N/A
September	5.4	3.4	3.2	2.9	N/A
October	4.8	3.5	3.5	3.1	
November	4.7	3.3	3.3	3.1	
December	5.0	2.7	2.9	2.7	

Note: Not seasonally adjusted.
Source: N.C. Department of Commerce: Labor and Economic Analysis Division.

GOVERNMENT AND MAJOR SERVICES

Government Structure. The County operates under a commissioner/manager form of government. A five-member Board of Commissioners is elected on a partisan basis by a countywide vote, although each commissioner must reside within the district from which he or she seeks election. One member is from District I, which consists of the townships of Highlands, Flats, Sugarfork and Ellijay. Three members represent District II, which is made up of the Franklin, Millshoal, Smithbridge, Union and Iotla townships. One member is from District III, which consists of the Cartoogechaye, Nantahala, Burningtown and Cowee townships. The commissioners serve four-year staggered terms, with two of the five elected during the presidential election years and the remaining three in the "midterm" election cycle. The Board of Commissioners appoints a full-time manager to administer the activities of the County as set forth under North Carolina General Statute 152A-82.

The duties of the Board of Commissioners include adoption of the County's annual budget, establishment of the annual ad valorem or property tax rate, and appointment of the County Manager, County Attorney, Tax Administrator and the Clerk to the Board. In the County, the County Manager also serves as the Ex Officio Clerk to the Board of Commissioners. The Board of Commissioners also makes appointments to various County boards, committees and commissions, many of which serve in an advisory capacity to the Board of Commissioners. The Board of Commissioners votes to approve and/or amend

County ordinances and policies, authorizes the enactment and execution of County contracts, and can establish or dissolve County programs and/or departments.

Education. The County has one County-wide school system. The school system is operated and administered by an elected Board of Education which appoints the school superintendent. The Board of Education submits annual budgets to the Board of County Commissioners for approval.

State law provides a basic minimum educational program for each school administrative unit or district, which in turn is supplemented by the County and federal governments. The minimum program provides funds for operational costs only. The building of public school facilities has also been a joint State and County effort. Local financial support is provided by the County for capital and operating expenses not provided for by the State.

The County has eleven school facilities, including two schools for grades K-12, four schools for grades K-4, one school for grades 5-6, one school for grades 7-8, one school for grades 9-12, one alternative school (grades 7-12) and one early college (grades 9-13). The following table shows the average daily membership for the past five school years:

School Year	Elementary (Grades K-6)	Intermediate (Grades 7-8)	Secondary (Grades 9-13)	Total
2019-20	2,401	726	1,269	4,396
2020-21	2,293	719	1,300	4,312
2021-22	2,419	735	1,283	4,437
2022-23	2,447	679	1,300	4,426
2023-24	2,457	628	1,360	4,445

[1] ADM or average daily membership, determined by actual records at the schools, is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments.
Source: Macon County Schools.

Within a 25 mile radius of the County, County residents have access to colleges, universities and trade schools, including the Southwestern Community College ("Southwestern") and Western Carolina University ("WCU").

A 23,000 square-foot extension of Southwestern opened in Franklin in 2007. This campus, known as the Cecil L. Groves Center, houses computer labs, interactive classrooms, a learning assistance center, a college bookstore and a student services department, as well as Macon Early College, a high school program designed to allow students to earn a high school degree and an associate degree in five years.

WCU is one of the constituent institutions of the consolidated University of North Carolina. WCU is located in Cullowhee, approximately 25 miles from Franklin. Enrollment in the Fall 2023 semester was 11,628 students, of which more than 9,000 were undergraduate students, including the third largest freshmen class in WCU's history. WCU provides more than 115 undergraduate majors and concentrations, and more than 40 graduate programs.

Transportation. Major expansion, maintenance and improvement of primary and secondary highways of the federal and State Highway systems within the County are primarily the responsibility of the State. Municipalities within the County bear the primary responsibility for local street systems. By State law, the County has no financial obligation, or responsibility of any nature, for the construction and maintenance of streets or highways.

The County is served by approximately 541 miles of State and federally maintained highways and roads. Primary roadways in the County include U.S. Highways 64 and 23/441 and North Carolina Highways 28 and 106. Access to major interstate exchanges (I-40, I-85 and I-26) from most locations in the County are within approximately one hour's drive. Completion of the widening of U.S. 441 south has enhanced the accessibility and traffic flow from Georgia, particularly the Atlanta area. Access to Raleigh, the North Carolina State capital, which is 275 miles away, is completely by four-lane highway. The County is served by several motor freight carriers. Terminals of most major carriers are located in Asheville, 60 miles away. Parcel carriers that serve the area include UPS and Federal Express.

The County operates Macon County Transit ("MCT") which provides public transportation to residents and visitors. MCT is supported by grants from the State and federal government, general fund revenues and contracts with human service agencies, nursing homes, and other agencies as well as fare collections and advertising on vehicles. MCT utilizes a fleet of 16 vehicles, of which 15 are ADA accessible. The transit system provides service for general public passengers and human service agency clients. MCT operates Monday through Friday from 7:00 a.m. until 5:00 p.m.

MCT's primary service delivery is through its demand response system. Transportation requests are made through a centralized scheduling and dispatching center. Service is provided for rides to and from employment, medical appointments (local and out of county), educational institutions, senior center, grocery stores, shopping centers, and other destinations upon request. MCT also operates a deviated fixed route service within Franklin. This service has designated stop locations at set times and will deviate up to ¼ mile off the route upon request. Service runs on 30-minute intervals for pick up and drop off at timed locations.

The County is served by Macon County Airport, a public use general aviation facility with a 5,000-foot business-jet accessible runway that is located three miles northwest of Franklin's central business district. Asheville Regional Airport is approximately 60 miles from Franklin, and Greenville-Spartanburg International Airport and Hartsfield-Jackson Atlanta International Airport are each approximately a two hour drive from the County.

Health and Human Services. The County Health Department provides a broad range of public health-related programs including Maternal and Child Health, Adult Health, Environmental Health, Nutrition Services, Laboratory and Public Health Education services. Employed physicians and nursing staff provide all clinical services. Clinical services include primary care, immunizations, family planning, communicable disease, and maternal and child health care. The Health Department provides a full-time Medical Laboratory Technician who performs a wide variety of medical laboratory procedures. A full-time nutritionist provides nutrition counseling and education programs, as well as women and infants' childcare support. The Health Department is the lead agent for the School Health Program. The County's Environmental Health Program includes food and lodging inspections, water and sewage inspections and consultations, public health complaint investigation, and environmental health education. The Health Department provides a Dental Health program that travels to the County's schools serving needy youths. All public health services are supported by outreach and administrative services. The actual County contribution for health programs in Fiscal Year 2023 and Fiscal Year 2024 were $2,212,011 and $3,244,820, respectively. The budgeted County contribution for health programs in Fiscal Year 2025 is $3,574,822.

The County Department of Social Services ("DSS") provides low-income individuals and families with assistance to support their self-sufficiency through job training and employment services, food assistance, health care coverage, energy assistance, and other economic supports for families. Additionally, DSS is statutorily obligated to protect individuals, families and communities by strengthening their efforts toward independence, permanence and safety. This is achieved through the prevention and evidencing of abuse, neglect and exploitation of vulnerable citizens and the promotion of self-reliance and self-sufficiency for individuals and families. All social service program areas are funded by the State and federal governments with local matching funds provided by the County. As a local government agency, the functions and services provided by DSS are considered essential governmental operations. DSS has a state and federally mandated responsibility in accordance with federal merit standards and the State Human Resources Act to carry out these functions and provide these services. The actual County contribution for social service programs in Fiscal Year 2023 and Fiscal Year 2024 were $1,638,748 and $1,954,074, respectively. The budgeted County contribution for social service programs in Fiscal Year 2025 is $2,248,860.

Medical Facilities. The County is served by several medical clinics and hospitals, including Angel Medical Center in Franklin and Highlands-Cashiers Hospital in Highlands, each of which are components of HCA Healthcare. The County is also served by Harris Regional Hospital (a Duke LifePoint Hospital) in Sylva, about 20 miles from Franklin, and Mission Hospital in Asheville, about 60 miles from Franklin. Mission Hospital is also a component of HCA Healthcare. The County has no financial responsibility for any of these facilities.

A County-operated emergency medical service provides 24-hour ambulance service by emergency medical technicians. In addition, a regional air ambulance service and a regional ground ambulance service, based in Franklin, is available through Mission Hospital in Asheville.

Recreation Services. Macon County Parks & Recreation operates parks and recreation facilities, including tennis courts, swimming pools, disc golf course, greenways, river access points, playgrounds, splash pads, shelters, ballfields, outdoor and indoor multi use courts, among other amenities, at the Allman Drive, Cullajasa Park, Georgia Road, Cartoogechaye Park and Parker Meadows Complex facilities. These facilities, which offer a wide range of activities, are heavily utilized and have become focal points of community activity.

Public Service Enterprises. The Macon County Solid Waste Department provides waste disposal capacity to all residents and businesses in the County in a Subtitle D Municipal Solid Waste Landfill. The Department also operates eleven Convenience Centers throughout the County for drop-off of residential waste and recycling. Collection of solid waste is provided in the unincorporated areas of the County via a contracted private vendor. The Department operates as an Enterprise Fund and is self-supporting via tipping fees, availability fees, and other revenues. These fees and revenues fund department operations, capital projects, and financial assurance obligations (closure, post-closure care, and potential assessment of corrective actions).

Other Services. Fire protection is provided by two municipally chartered combination fire departments and nine rural volunteer or combination fire departments. The fire departments are funded by Fire District ad valorem taxes, donations, and fundraisers.

DEBT INFORMATION

Legal Debt Limit

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur additional net debt in an approximate amount of $657,207,000 as of June 30, 2023.

Outstanding General Obligation Debt

The County does not currently have any outstanding general obligation debt and has had no general obligation debt within the last five Fiscal Years.

General Obligation Debt Ratios

June 30,	Total Outstanding GO Debt	Assessed Valuation	Total GO Debt To Assessed Valuation	Population [1]	Total GO Debt Per Capita
2019	$0	$8,134,586,247	0%	36,101	$0
2020	0	8,120,570,189	0	36,544	0
2021	0	8,254,306,639	0	37,102	0
2022	0	8,397,477,586	0	37,347	0
2023	0	8,553,253,685	0	37,636	0

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

General Obligation Bonds Authorized and Unissued

The County has no general obligation bonds authorized but unissued.

General Obligation Debt Information for Underlying Units as of June 30, 2023

Unit	2022 Population[1]	Assessed Valuation[2]	Tax Rate Per $100[2]	Total GO Debt	Total GO Debt Per Capita
Town of Franklin	4,242	$ 784,609,130	0.3500	$0	-
Town of Highlands	1,085	1,825,081,660	0.1565	0	-

[1]Estimates of North Carolina Office of State Budget and Management as of July 1, 2022.
[2]Rates and assessed valuation are for the Fiscal Year ended June 30, 2023.
[3]Does not include installment financing agreements, revolving loans and revenue bonds as these obligations are not general obligations.

Other Long-Term Commitments

The County currently has outstanding governmental activities debt consisting of the County's Limited Obligation Bonds, Series 2021 and installment financing agreements that financed school construction. The County issued special obligation bonds in 2016 for expanding the County's landfill capacity and this accounts for 100% of the business-type activities debt. Annual requirements to service these obligations, are as follows:

Fiscal Year	Governmental Activities Principal and Interest	Business-Type Activities Principal and Interest	Total Principal and Interest
2025	$ 3,406,978	$1,095,129	$ 4,502,107
2026	3,177,857	1,093,628	4,271,485
2027	3,079,431	0	3,079,431
2028	2,606,497	0	2,606,497
2029	1,664,183	0	1,664,183
2030	1,175,783	0	1,175,783
2031	1,144,991	0	1,144,991
2032	820,125	0	820,125
2033	793,125	0	793,125
2034	672,875	0	672,875
2035	580,625	0	580,625
2036	565,625	0	565,625
2037	555,000	0	555,000
2038	544,375	0	544,375
2039	533,750	0	533,750
2040	522,500	0	522,500
2041	511,250	0	511,250
Total	$22,354,971	$2,188,757	$24,543,728

Debt Outlook

The County does not expect to borrow funds for capital projects in the next five years.

TAX INFORMATION

General Information

	Fiscal Year				
	2021	2022	2023	2024[3]	2025[4]
Assessed Valuation:					
Assessment Ratio[1]	100%	100%	100%	100%	100%
Real Property	$7,519,567,555	$7,617,621,336	$7,705,968,411	$12,030,639,524	$12,232,327,940
Personal Property	561,673,699	596,507,750	643,793,715	720,045,932	651,238,562
Public Service Companies[2]	173,065,385	183,348,500	203,491,559	229,942,222	229,942,222
Total Assessed Valuation	$8,254,306,639	$8,397,477,586	$8,553,253,685	$12,980,627,678	$13,113,508,724
Rate per $100	0.3747	0.4000	0.4000	0.2700	0.2700
Levy	$30,928,764	$ 33,566,407	$ 34,212,857	$ 35,187,528	$ 35,406,474

Note: A revaluation in the County was completed in 2023 and went into effect in the Fiscal Year ended June 30, 2024.
[1] Percentage of appraised value has been established by statute.
[2] Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
[3] Unaudited.
[4] Estimated.

Tax Collections

Fiscal Year	Total Tax Levy	Collections in Year Levied	Percentage of Levy Collected in Year Levied	Cumulative Collections	Total Percentage Collected
2020	$30,407,062	$29,927,608	98.42%	$30,326,383	99.73%
2021	30,928,764	30,510,957	98.65	30,822,867	99.66
2022	33,566,407	33,229,757	99.00	33,392,149	99.48
2023	34,212,857	33,805,041	98.81	34,040,986	99.50
2024[1]	35,187,528	34,705,421	98.63	34,705,421	98.63

Source: Annual Comprehensive Financial Report of the County for the Fiscal Year ended June 30, 2023, and County Finance Department.
[1] Unaudited.

Ten Largest Taxpayers for the Fiscal Year Ended June 30, 2023

Name	Type of Enterprise	Assessed Valuation	Percentage of Assessed Value
Duke Energy	Public Utility	$170,252,882	1.99%
Old Edwards Inn and Spa, LLC	Tourism	42,800,899	0.50
MH Angel Medical Center LLP	Medical	39,097,065	0.46
Highlands Golf Club	Recreation	26,433,642	0.31
Tri Real Estate LLC	Real Estate	20,648,590	0.24
Cullasaja Club Inc.	Recreation	18,370,133	0.21
Beasley Flooring Products	Manufacturing	16,584,402	0.19
Ingles Markets Inc.	Supermarket	15,943,679	0.19
Sagee Property Investments	Real Estate	15,647,780	0.18
Rockwood Lodge LLC	Recreation	15,560,580	0.18
		$381,339,652	4.45%

Source: Annual Comprehensive Financial Report of the County for the Fiscal Year ended June 30, 2023.

BUDGET RESULTS AND OUTLOOK

The County is in sound financial health due to prudent decision-making and controlled spending over the last several years. The total available fund balance for the County's General Fund increased from $38,357,651 in the fiscal year ended June 30, 2022 to $45,643,569 in the fiscal year ended June 30, 2023 (a 19% increase).

The County currently projects that for the fiscal year ended June 30, 2024, revenues and transfers in will be $69,602,140 and expenditures and transfers out will be $66,374,157 resulting in a positive variance of $3,227,983 against the operating budget. For the fiscal year ended June 30, 2024, the County expects the total fund balance for the County's General Fund to increase to $54,931,184.

The County's approved and adopted General Fund budget for the fiscal year ending June 30, 2025 includes a $0.27 per $100 assessed valuation property tax rate.

PENSION PLANS

The County participates in the Local Governmental Employees' Retirement System ("LGERS") plan administered by the State. This plan is a cost-sharing, multiple-employer, defined benefit pension plan established by the State to provide benefits for employees of local governments. Membership is comprised of general employees, local law enforcement officers ("LEOs"), firefighters and rescue squad workers. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members.

LGERS provides retirement, disability 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. General employee 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. General employee 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 (15 years of credible service for firefighters and rescue squad members who are killed in the line of duty). 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 creditable service as an officer.

Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically and affirmed annually by the LGERS Board of Trustees. Contributions to the system are determined on an actuarial basis. The contribution rate for the County was 13.10% of compensation for law enforcement officers and 12.10% for general employees and firefighters for the Fiscal Year ended June 30, 2023. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. The State's responsibility is administrative only. Contributions to the pension plan from the County were $2,575,654 for the Fiscal Year ended June 30, 2023.

For information concerning the County's participation in the LGERS and the Supplemental Retirement Income Plan of North Carolina, see the Notes to the County's Audited Financial Statements in Appendix B.

Financial statements and required supplementary information for LGERS 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 County administers a single employer defined benefit Retiree Healthcare Benefits Plan. This plan provides post-employment health care benefits to retirees of the County.

Employees who are eligible and approved to receive retirement benefits in accordance with the regulations of the North Carolina Local Government Employees Retirement System, are actively employed with the County at the time of retirement and are members of the County's Group Health Insurance Plan will be eligible for post-employment health care benefits according to the following schedule:

Hired prior to July 1, 2014

Years of Service at Retirement	Group Medical Insurance	Group Prescription Drug Insurance	Medicare Supplement Coverage	Spouse Coverage Available to Retiree
15 – 24	Until Age 65	Until Age 65	No	No
25-29	Until Age 65	Until Age 65	Yes	No
30 or more	Until Age 65	Until Age 65	Yes	Yes

Hired July 1, 2014 – June 30, 2019

Years of Service at Retirement	Group Medical Insurance	Group Prescription Drug Insurance	Medicare Supplement Coverage	Spouse Coverage Available to Retiree
30 or more[1]	Until Age 65	Until Age 65	Yes	No

Hired on or after July 1, 2019

Years of Service at Retirement	Group Medical Insurance	Group Prescription Drug Insurance	Medicare Supplement Coverage	Spouse Coverage Available to Retiree
30 or more[2]	Until Age 65	Until Age 65	Yes	No

[1] As determined by LGERS.
[2] All service must be permanent service with the County.

The County's total OPEB liability of $31,739,215 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

For more information on the County's financial obligations with respect to other post-employment benefits, see the Notes to County's Audited Financial Statements in Appendix B.

CONTINGENT LIABILITIES

The County is not aware of any contingent liabilities that it expects would materially adversely affect its ability to meet its financial obligations.

APPENDIX B

MANAGEMENT'S DISCUSSION AND ANALYSIS AND THE BASIC FINANCIAL STATEMENTS OF MACON COUNTY, NORTH CAROLINA

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Management's Discussion and Analysis

The Management's Discussion and Analysis of the financial activities of the County, lifted from the Comprehensive Annual Financial Report for the County for the Fiscal Year ended June 30, 2023, is included in this Appendix. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the County's financial activities based on currently known facts, decisions or conditions. Management's Discussion and Analysis is not a required part of the Basic Financial Statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the County have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

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Management's Discussion and Analysis

As management of Macon County, we offer readers of Macon County's financial statements this narrative overview and analysis of the financial activities of Macon County (the "County") 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 County's financial statements, which follow this narrative.

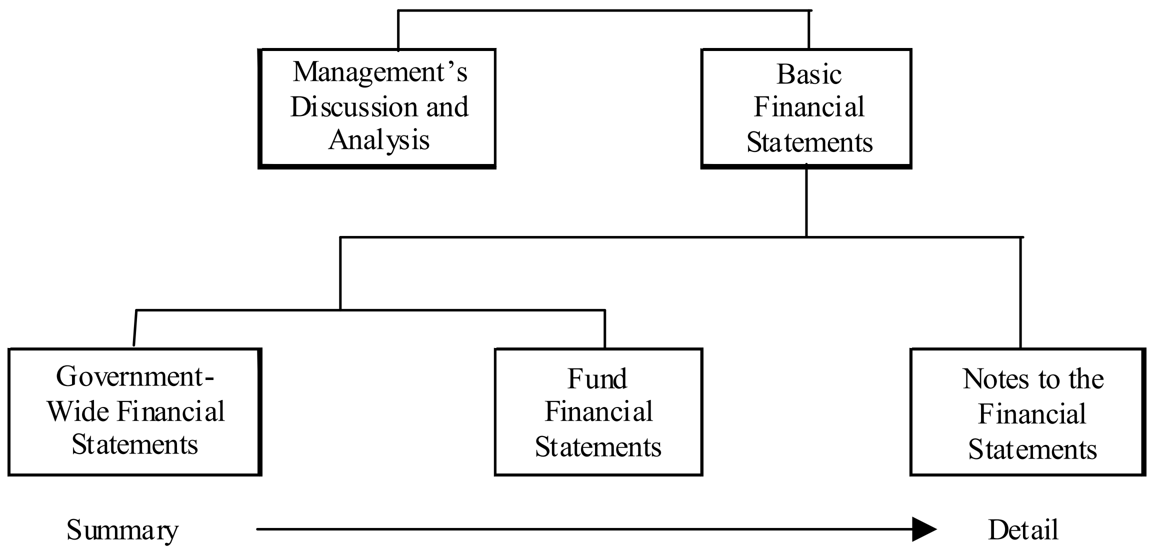
Financial Highlights

- The assets and deferred outflows of resources of Macon County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $8,610,903 (*net position*).
- The County's total net position increased by $15,371,408, primarily due to an increase in the net position of governmental activities. This increase is due to an increase in ad valorem taxes, local option sales tax, and interest earned as well as a decrease in spending in education.
- As of the close of the current fiscal year, Macon County's General Fund reported an ending fund balance of $51,703,201, an increase of $7,657,842 in comparison with the prior year. Total governmental funds reported combined ending fund balances of $64,022,183. Approximately 14.60% of this total amount, or $9,347,666, is restricted or non-spendable.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $45,106,813, or 73.74%, of total General Fund expenditures and transfers out.
- Macon County's total debt decreased by $4,261,749, or 13.40%, during the fiscal year. The key factor in this decrease was making current year payments on installment contracts, limited obligation bonds, and special obligation bonds. The County is rated Aa2 by Moody's Investors Service.
- Macon County's total liabilities increased by $4,153,892, or 4.44%, during the past fiscal year, primarily due to an increase in total LGERS liability and grants received in advance.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Macon County's basic financial statements. Macon County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (Figure 1). The basic financial statements present two different views of the County 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 Macon County.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **government-wide financial statements**. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits C through L) are the **fund financial statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, 3) the proprietary fund statements, and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes to the financial statements**. The notes offer a detailed explanation about various information contained in the statements. After the notes, **supplemental information** is provided to show details about the County's nonmajor governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

Following the notes is the required supplementary information. This section contains funding information about the County's pension plans.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County'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 County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring the net position is one way to gauge the County's financial condition.

The government-wide financial statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component unit. The governmental activities include most of the County's basic services, such as general government, public safety, transportation, public education, economic development, and general administration. Property taxes and federal and state grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. This includes the solid waste (landfill) operation offered by Macon County. The final category is the component unit. Macon County is financially accountable for the Macon County Airport Authority. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County'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. Macon County, 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 County's budget ordinance. All of the funds of Macon County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County'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.* This method also has a current financial resources 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 County'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.

Macon County 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 County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds. Macon County maintains two types of proprietary funds: the Enterprise Fund and the Internal Service Fund. *Enterprise funds* report the same functions presented as business-type activities in the government-wide financial statements. Macon County uses an enterprise fund to account for its solid waste operations. This fund is the same as the separate activities shown in the business-type activities in the Statement of Net Position and Statement of Activities. Macon County uses an internal service fund to account for health insurance on a cost reimbursement basis. As these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate information for solid waste and health insurance.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Macon County has two fiduciary funds, both of which are custodial funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit L of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Macon County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes to the financial statements.

Government-Wide Financial Analysis

Macon County's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Current and other assets	$ 64,118,510	$ 79,141,103	$ 14,313,726	$ 15,115,789	$ 78,432,236	$ 94,256,892
Capital assets	22,472,038	24,367,106	10,819,499	10,019,075	33,291,537	34,386,181
Total assets	86,590,548	103,508,209	25,133,225	25,134,864	111,723,773	128,643,073
Deferred outflows of resources	32,275,801	30,794,707	2,108,935	2,014,996	34,384,736	32,809,703
Long-term liabilities outstanding	67,260,917	66,209,554	14,629,017	18,220,781	81,889,934	84,430,335
Other liabilities	10,328,504	11,903,552	1,402,867	1,441,310	11,731,371	13,344,862
Total liabilities	77,589,421	78,113,106	16,031,884	19,662,091	93,621,305	97,775,197
Deferred inflows of resources	57,688,489	51,579,928	3,871,675	3,486,748	61,560,164	55,066,676
Net position:						
Net investment in capital assets	21,530,233	23,037,582	7,357,451	7,510,566	28,887,684	30,548,148
Restricted	8,437,616	8,944,299	-	-	8,437,616	8,944,299
Unrestricted	(46,379,410)	(27,371,999)	(18,850)	(3,509,545)	(46,398,260)	(30,881,544)
Total net position	$ (16,411,561)	$ 4,609,882	$ 7,338,601	$ 4,001,021	$ (9,072,960)	$ 8,610,903

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $8,610,903 as of June 30, 2023. The County's net position increased by $15,371,408 for the fiscal year ended June 30, 2023. One of the largest portions of Macon County's net position, $30,548,148, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Macon County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position, $8,944,299, represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County is reporting a negative balance in unrestricted net position in the amount of $30,881,544 for the government as a whole. The primary reason for the deficit is the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions,* in the fiscal year ended June 30, 2018 and the resulting total OPEB liability. Another reason for the deficit is the County holds title to certain Macon County Board of Education properties that have not been included in the County's capital assets. These properties have been deeded to the County to allow for debt financings on school construction. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title back to the Board of Education after all restrictions of the debt financings have been met. These properties are reflected as capital assets in the financial statements of the Macon County Board of Education. Since the County, as the issuing government, doesn't include these properties as capital assets, the County has incurred a liability without a corresponding increase in assets.

Macon County's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Revenues:						
Program revenues:						
Charges for services	$ 6,108,851	$ 5,918,064	$ 5,560,226	$ 5,551,531	$ 11,669,077	$ 11,469,595
Operating grants and contributions	12,112,974	14,317,916	-	-	12,112,974	14,317,916
Capital grants and contributions	30,023	1,369,491	-	-	30,023	1,369,491
General revenues:						
Property taxes	38,345,888	39,420,977	-	-	38,345,888	39,420,977
Other taxes	18,258,296	20,259,739	-	-	18,258,296	20,259,739
Other	583,089	3,513,884	13,331	292,188	596,420	3,806,072
Total revenues	75,439,121	84,800,071	5,573,557	5,843,719	81,012,678	90,643,790
Expenses:						
General government	13,345,895	12,366,566	-	-	13,345,895	12,366,566
Public safety	19,234,772	19,553,169	-	-	19,234,772	19,553,169
Transportation	1,060,591	1,072,755	-	-	1,060,591	1,072,755
Economic and physical development	3,574,303	4,676,727	-	-	3,574,303	4,676,727
Human services	10,520,367	10,158,686	-	-	10,520,367	10,158,686
Cultural and recreational	3,364,946	3,381,145	-	-	3,364,946	3,381,145
Education	18,666,457	13,969,994	-	-	18,666,457	13,969,994
Interest on long-term debt	823,020	753,707	-	-	823,020	753,707
Solid waste	-	-	6,010,083	9,339,633	6,010,083	9,339,633
Total expenses	70,590,351	65,932,749	6,010,083	9,339,633	76,600,434	75,272,382
Change in net position before transfers	4,848,770	18,867,322	(436,526)	(3,495,914)	4,412,244	15,371,408
Transfers	(159,695)	(158,334)	159,695	158,334	-	-
Change in net position	4,689,075	18,708,988	(276,831)	(3,337,580)	4,412,244	15,371,408
Net Position:						
Beginning of year - July 1	(21,100,636)	(16,411,561)	7,615,432	7,338,601	(13,485,204)	(9,072,960)
Restatement	-	2,312,455	-	-	-	2,312,455
Beginning of year - July 1, as restated	(21,100,636)	(14,099,106)	7,615,432	7,338,601	(13,485,204)	(6,760,505)
End of year - June 30	$ (16,411,561)	$ 4,609,882	$ 7,338,601	$ 4,001,021	$ (9,072,960)	$ 8,610,903

Governmental Activities. Of the total net position, governmental activities account for $4,609,882, 53.54%. Property taxes provide 46.49% of funding at $39,420,977, charges for services funded at $5,918,064, local option sales tax and occupancy tax funded at $20,259,739, and operating grants funded at $14,317,916 of Macon County's governmental activities. Governmental activities increased Macon County's net position by $18,708,988. This increase is primarily due to an increase in operating grants and contributions, capital grants and contributions, ad valorem taxes, local option sales taxes, and interest earned on investments. Operating grants and contributions increased due to an increase of $1.7 million in unavailable opioid revenue. Capital grants and contributions increased due to receipt of a $548,000 transit capital grant and a $784,000 airport capital grant. Ad valorem taxes increased primarily due to Franklin Fire District's tax rate increasing by 1.55 cents, Cullasaja Fire District's tax rate increasing by 1.63 cents, and Burningtown Fire District's tax rate increasing by 1 cent, as well as growth of 1.86% in the taxable property values. Local option sales taxes increased due to an increase in taxable sales and purchases within the County. Interest earned on investments increased by $2.9 million due to the Federal Reserve raising interest rates multiple times.

Business-Type Activities. Business-type activities decreased the County's net position by ($3,337,580). This decrease is primarily attributable to an increase in landfill closure and post-closure care cost.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Macon County's financing requirements. Specifically, fund balance available for appropriation 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 Macon County. At the end of the current fiscal year, fund balance available in the General Fund was $45,643,569, while total fund balance reached $51,703,201. The County currently has an available fund balance of 74.62% of General Fund expenditures and transfers out less lease and subscription liabilities issued, while total fund balance represents 85.43% of that same amount. Total fund balance in the General Fund increased by $7,657,842. This increase is primarily attributable to an increase in local option sales tax, investment earnings, and ad valorem tax revenues. Sales tax revenues increased by 13.39% due to an increase in taxable sales and purchases within the County. Investment earnings increased by $2.3million due to the Federal Reserve raising interest rates multiple times. Ad valorem tax revenues increased by 1.50% due to $155,776,000 or 1.86% increase in assessed valuation. Assessed valuation increased in all three categories: real property, personal property, and public service companies.

The Debt Service Fund's total fund balance increased by $985,888. This increase is primarily attributable to the transfers from the general fund to the debt service fund exceeding the payments that were due from this transfer.

The Opioid Settlement Fund total fund balance increased by $401,346. This increase is primarily attributable to receiving opioid settlement revenues but not spending any funds.

As of the end of the current fiscal year, Macon County's total governmental funds reported combined ending fund balances of $64,002,183, an increase of $8,620,773 in comparison with the prior year. This increase is primarily attributable to an increase in sales tax, investment earnings, and ad valorem tax revenues.

General Fund Budgetary Highlights

During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into 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. Total amendments to the General Fund increased the budget by $14,006,934. The majority of this increase was attributable to additional sales tax revenues, ad valorem tax revenues, and restricted intergovernmental revenues, investment earnings, and a transfer from the American Rescue Plan Special Revenue Fund. The difference between the final budgeted amount and the actual expenditures and transfers out was $11,887,784. This difference is primarily due to underspending the budget in human services, public safety, and general government.

Proprietary Funds. Macon County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the year totaled ($3,509,545). The decrease of $3,337,580 over the prior year is primarily attributable to an increase in landfill closure and post-closure care cost. Other factors concerning the finances of the fund have already been addressed in the discussion of the County's business-type activities.

Capital Asset and Debt Administration

Capital Assets. Macon County's capital assets for its governmental and business-type activities as of June 30, 2023 amount to $34,386,181, (net of accumulated depreciation and amortization). These assets include land, buildings and systems, improvements, machinery, and equipment.

Major capital asset transactions during the year include:

- Purchased new voting equipment
- Completed an ambulance remount for EMS
- Purchased 1 ambulance for EMS
- Purchased 4 Transit vans
- Purchased network switches
- Purchased property to be used by Macon County Schools

Macon County's Capital Assets
Figure 4

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Land	$ 10,062,224	$ 10,939,142	$ 2,093,021	$ 2,031,662	$ 12,155,245	$ 12,970,804
Buildings and improvements	33,150,310	33,642,237	17,209,763	17,209,763	50,360,073	50,852,000
Furniture and equipment	5,056,036	6,815,828	5,345,969	5,316,811	10,402,005	12,132,639
Vehicles	8,074,827	8,481,759	862,710	877,996	8,937,537	9,359,755
Right to use assets	174,553	744,864	-	-	174,553	744,864
Construction in progress	1,405,925	366,808	54,215	132,592	1,460,140	499,400
Subtotal	57,923,875	60,990,638	25,565,678	25,568,824	83,489,553	86,559,462
Less accumulated depreciation and amortization	(35,186,529)	(36,623,532)	(14,746,179)	(15,549,749)	(49,932,708)	(52,173,281)
Total	$ 22,737,346	$ 24,367,106	$ 10,819,499	$ 10,019,075	$ 33,556,845	$ 34,386,181

Additional information on the County's capital assets can be found in the notes to the financial statements beginning on page 54.

Long-Term Debt. As of June 30, 2023, Macon County had total bonded debt outstanding of $21,809,137, all of which is debt backed by full faith and credit of the County.

Macon County's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2022	**2023**	**2022**	**2023**	**2022**	**2023**
Installment contracts	$ 7,114,004	$ 5,244,444	$ -	$ -	$ 7,114,004	$ 5,244,444
Special obligation bonds	-	-	4,172,609	3,162,552	4,172,609	3,162,552
Limited obligation bonds	20,420,653	18,646,585	-	-	20,420,653	18,646,585
Lease liability	82,522	219,094	4,115	-	86,637	219,094
Subscription liability	-	259,479	-	-	-	259,479
Total	$ 27,617,179	$ 24,369,602	$ 4,176,724	$ 3,162,552	$ 31,793,903	$ 27,532,154

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Macon County is approximately $657,207,000, which is significantly greater than Macon County's outstanding debt.

More detailed information on the County's long-term debt can be found in the notes to the financial statements beginning on page 75.

Economic Factors and Next Year's Budgets and Rates

The following factors reflect the economic activity of the County:

- The County's June 2023 unadjusted unemployment rate is 3.2% compared to the state's unadjusted unemployment rate of 3.6%. The County's June 2023 rate is 0.6% lower than it was a year ago.
- Sales tax distributions increased 13.39% over the prior year
- Low debt burden and property tax rate – The County's existing debt obligations are only 3.95% of its statutory limit. The FY2023 property tax rate of $0.4000/$100 is below the state average of $0.6660/$100 and the fifth lowest of all 100 counties in North Carolina.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. Taxes are based on $12.8 billion in property valuation, with the tax rate being lowered to the revenue neutral tax rate, adjusted for growth, of $0.27 per $100 of assessed value. Sales tax revenues were budgeted with no growth on the FY2023 year-end projection. This results in revenue increases of $1,521,541 and $1,960,071 respectively.

Budgeted expenditures in the General Fund are $63,754,537, which is $4,707,424 more than the FY2023 original budget, or 7.97%. The budget includes an increase to the County's required contribution to the Local Governmental Employees' Retirement System for employees at a cost of $157,600, a 3% COLA at a cost of $772,400, and a one-step pay scale advancement at a cost of $424,200. The budget contains $5,462,257 in capital outlay, which is an increase of approximately $1,301,000.

Business-Type Activities. The budgeted expenditures for the Solid Waste Fund are $6,958,150, which represents an increase of $707,651, or 11.32%. The budget includes a $82,750 increase in tipping fees. The Highlands transfer fee increased from $8.75 to $12.50 per ton and the brush/stumps fee increased for $30.00 to $35.00 per ton. The budget includes an increase to the County's required contribution to the Local Governmental Employees' Retirement System for employees, a 3% COLA, and a one-step pay scale advancement. The budget contains $1,480,000 in capital outlay.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Office of the Finance Director, 5 West Main Street, Franklin, North Carolina 28734.

Financial Information

The financial statements of the County have been audited by certified public accountants for the Fiscal Year ended June 30, 2023. Copies of these financial statements containing the unqualified report of the independent certified public accountant are available in the office of the Finance Director at 5 West Main Street, Franklin, North Carolina 28734.

The following financial statements are the Basic Financial Statements of the County, the notes thereto and certain required supplementary information, lifted from the Comprehensive Annual Financial Report of the County for the Fiscal Year ended June 30, 2023.

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BASIC FINANCIAL STATEMENTS – OVERVIEW

MACON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Macon County Airport Authority
Assets:				
Current assets:				
Cash and cash equivalents	$ 60,550,014	$ 14,080,373	$ 74,630,387	$ 116,419
Taxes receivable, net	577,687	-	577,687	-
Interest receivable	7,778	-	7,778	-
Accounts receivable, net	2,138,892	381,373	2,520,265	-
Due from other governments	6,956,321	-	6,956,321	-
Lease receivable	8,324	-	8,324	-
Internal balance	-	-	-	-
Inventories	11,938	-	11,938	-
Prepaid items	377,557	-	377,557	-
Restricted cash and cash equivalents	5,046,033	654,043	5,700,076	-
Total current assets	75,674,544	15,115,789	90,790,333	116,419
Non-current assets:				
Lease receivable, non-current	97,145	-	97,145	-
Receivables, non-current	3,290,956	-	3,290,956	-
Notes receivable - long term	28,335	-	28,335	-
Net pension asset - ROD	50,123	-	50,123	-
Right to use leased assets, net of amortization	218,732	-	218,732	-
Right to use subscription assets, net of amortization	360,530	-	360,530	-
Non-depreciable capital assets	11,305,950	2,164,254	13,470,204	2,930,538
Depreciable capital assets, net	12,481,894	7,854,821	20,336,715	9,780,836
Total non-current assets	27,833,665	10,019,075	37,852,740	12,711,374
Total assets	103,508,209	25,134,864	128,643,073	12,827,793
Deferred Outflows of Resources:				
Pension deferrals	8,547,730	493,835	9,041,565	-
OPEB deferrals	22,246,977	1,521,161	23,768,138	-
Total deferred outflows of resources	30,794,707	2,014,996	32,809,703	-
`				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	4,145,218	364,859	4,510,077	759
Grants received in advance	4,621,683	-	4,621,683	-
Unearned revenues	12,058	-	12,058	-
Current portion of compensated absences	128,250	9,121	137,371	-
Current portion of long-term debt	2,996,343	1,067,330	4,063,673	-
Total current liabilities	11,903,552	1,441,310	13,344,862	759
Long-term liabilities:				
Due in more than one year:				
Non-current compensated absences	1,154,246	82,090	1,236,336	-
Bonds, installment purchases, leases	21,373,259	15,895,872	37,269,131	-
Net pension liability - LGERS	11,766,099	710,483	12,476,582	-
Total pension liability - LEOSSA	1,709,071	-	1,709,071	-
Total OPEB liability	30,206,879	1,532,336	31,739,215	-
Total long-term liabilities	66,209,554	18,220,781	84,430,335	-
Total liabilities	78,113,106	19,662,091	97,775,197	759

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Macon County Airport Authority
Deferred Inflows of Resources:				
Prepaid taxes	50,773	-	50,773	-
Pension deferrals	628,552	13,492	642,044	-
OPEB deferrals	50,796,366	3,473,256	54,269,622	-
Leases	104,237	-	104,237	-
Total deferred inflows of resources	51,579,928	3,486,748	55,066,676	-
Net Position:				
Net investment in capital assets	23,037,582	7,510,566	30,548,148	12,711,374
Restricted for:				
Stabilization by state statute	7,029,104	-	7,029,104	-
Register of Deeds' pension plan	50,123	-	50,123	-
Cultural and recreational	3,834	-	3,834	-
Public safety	1,279,583	-	1,279,583	-
Economic and physical development	17,113	-	17,113	-
Education	141,376	-	141,376	-
Human services	423,166	-	423,166	-
Unrestricted	(27,371,999)	(3,509,545)	(30,881,544)	115,660
Total net position	$ 4,609,882	$ 4,001,021	$ 8,610,903	$ 12,827,034

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ 12,366,566	$ 1,888,329	$ 1,943,745	$ -
Public safety	19,553,169	2,978,554	720,379	-
Transportation	1,072,755	145,555	297,828	548,044
Economic and physical development	4,676,727	196,124	910,116	792,036
Human services	10,158,686	658,595	9,788,271	-
Cultural and recreational	3,381,145	50,907	-	-
Education	13,969,994	-	657,577	29,411
Interest on long-term debt	753,707	-	-	-
Total governmental activities	65,932,749	5,918,064	14,317,916	1,369,491
Business-Type Activities:				
Solid waste	9,339,633	5,551,531	-	-
Total primary government	$ 75,272,382	$ 11,469,595	$ 14,317,916	$ 1,369,491
Component Unit:				
Macon County Airport Authority	$ 837,661	$ -	$ 33,650	$ 871,855

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Macon County Airport Authority
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ (8,534,492)	$ -	$ (8,534,492)	
Public safety	(15,854,236)	-	(15,854,236)	
Transportation	(81,328)	-	(81,328)	
Economic and physical development	(2,778,451)	-	(2,778,451)	
Human services	288,180	-	288,180	
Cultural and recreational	(3,330,238)	-	(3,330,238)	
Education	(13,283,006)	-	(13,283,006)	
Interest on long-term debt	(753,707)	-	(753,707)	
Total governmental activities	(44,327,278)	-	(44,327,278)	
Business-Type Activities:				
Solid waste	-	(3,788,102)	(3,788,102)	
Total primary government	(44,327,278)	(3,788,102)	(48,115,380)	
Component Unit:				
Macon County Airport Authority				$ 67,844
General Revenues:				
Ad valorem taxes	39,420,977	-	39,420,977	-
Local option sales tax	17,954,435	-	17,954,435	-
Occupancy taxes	2,305,304	-	2,305,304	-
Unrestricted intergovernmental revenues:				
Other taxes	453,620	-	453,620	-
Gross receipts tax	42,372	-	42,372	-
Interest earned on investments	3,017,892	292,188	3,310,080	-
Total general revenues	63,194,600	292,188	63,486,788	-
Transfers	(158,334)	158,334	-	-
Total general revenues and transfers	63,036,266	450,522	63,486,788	-
Change in net position	18,708,988	(3,337,580)	15,371,408	67,844
Net Position:				
Beginning of year - July 1	(16,411,561)	7,338,601	(9,072,960)	12,759,190
Restatement	2,312,455	-	2,312,455	-
Beginning of year - July 1, as restated	(14,099,106)	7,338,601	(6,760,505)	12,759,190
End of year - June 30	$ 4,609,882	$ 4,001,021	$ 8,610,903	$ 12,827,034

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

MACON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major				Nonmajor	
	General Fund	Debt Service Fund	American Rescue Plan Fund	Opioid Settlement Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 48,008,903	$ 4,641,027	$ -	$ -	$ 7,228,304	$ 59,878,234
Taxes receivable, net	489,503	-	-	-	88,184	577,687
Interest receivable	7,527	-	-	-	-	7,527
Accounts receivable, net	1,333,803	-	-	4,033,803	62,242	5,429,848
Notes receivable, long term	28,335	-	-	-	-	28,335
Due from other governments	5,630,029	98,073	-	-	1,228,219	6,956,321
Lease receivable	105,469	-	-	-	-	105,469
Inventories	11,938	-	-	-	-	11,938
Prepaid items	377,557	-	-	-	-	377,557
Cash and cash equivalents, restricted	764,764	-	3,247,414	401,346	632,509	5,046,033
Total assets	$ 56,757,828	$ 4,739,100	$ 3,247,414	$ 4,435,149	$ 9,239,458	$ 78,418,949
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable and accrued liabilities	$ 2,302,503	$ -	$ -	$ -	$ 1,363,233	$ 3,665,736
Unearned revenues	12,058	-	-	-	-	12,058
Liabilities to be paid from restricted assets:						
Grants received in advance	764,764	-	3,247,414	-	609,505	4,621,683
Total liabilities	3,079,325	-	3,247,414	-	1,972,738	8,299,477
Deferred Inflows of Resources:						
Property taxes receivable	489,503	-	-	-	88,184	577,687
Unavailable revenue	-	-	-	4,033,803	-	4,033,803
Ambulance receivable	782,475	-	-	-	-	782,475
Public health receivable	548,314	-	-	-	-	548,314
Prepaid taxes	50,773	-	-	-	-	50,773
Leases	104,237	-	-	-	-	104,237
Total deferred inflows of resources	1,975,302	-	-	4,033,803	88,184	6,097,289
Fund Balances:						
Non-spendable, not in spendable form:						
Inventories	11,938	-	-	-	-	11,938
Prepaids	377,557	-	-	-	-	377,557
Notes receivable, long term	28,335	-	-	-	-	28,335
Leases	1,232	-	-	-	-	1,232
Restricted for:						
Stabilization by state statute	5,640,570	98,073	-	-	1,290,461	7,029,104
Public safety	395,380	-	-	-	884,203	1,279,583
Economic and physical development	-	-	-	-	17,113	17,113
Human services	-	-	-	401,346	21,820	423,166
Cultural and recreational	-	-	-	-	3,834	3,834
Education	141,376	-	-	-	35,660	177,036
Committed for:						
General government	-	-	-	-	1,108,856	1,108,856
Economic and physical development	-	-	-	-	598,832	598,832
Education	-	-	-	-	3,496,009	3,496,009
Assigned for:						
Debt service	-	4,641,027	-	-	-	4,641,027
Unassigned	45,106,813	-	-	-	(278,252)	44,828,561
Total fund balances	51,703,201	4,739,100	-	401,346	7,178,536	64,022,183
Total liabilities, deferred inflows of resources, and fund balances	$ 56,757,828	$ 4,739,100	$ 3,247,414	$ 4,435,149	$ 9,239,458	$ 78,418,949

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

MACON COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Total Governmental Funds
Amounts reported in the governmental activities in the Statement of Net Position are different because:	
Total fund balances	$ 64,022,183
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,787,844
Other long-term assets (accrued interest receivable from leases) are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Accrued interest on leases	251
Right to use leased and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Right to use assets at historical cost	744,864
Accumulated amortization	(165,602)
Net pension asset	50,123
Net pension liability - LGERS	(11,766,099)
Total pension liability - LEOSSA	(1,709,071)
Total OPEB liability	(30,206,879)
Internal service funds are used by management to charge the cost of health insurance. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	382,284
Long-term liabilities, accrued interest, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(25,842,084)
Deferred outflows of resources related to pensions are not reported in the funds.	8,547,730
Deferred inflows of resources related to pensions are not reported in the funds.	(628,552)
Deferred outflows of resources related to OPEB are not reported in the funds.	22,246,977
Deferred inflows of resources related to OPEB are not reported in the funds.	(50,796,366)
Deferred inflows of resources for taxes receivables	577,687
Deferred inflows of resources for other unavailable revenues	5,364,592
Net position of governmental activities	$ 4,609,882

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

MACON COUNTY, NORTH CAROLINA

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

	Major				Nonmajor	
	General Fund	Debt Service Fund	American Rescue Plan Fund	Opioid Settlement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	$ 34,363,339	$ -	$ -	$ -	$ 4,994,429	$ 39,357,768
Local option sales taxes	14,369,525	-	-	-	3,584,910	17,954,435
Unrestricted intergovernmental revenues	495,992	-	-	-	-	495,992
Restricted intergovernmental revenues	9,202,425	499,324	1,875,659	389,719	1,998,932	13,966,059
Occupancy taxes	-	-	-	-	2,305,304	2,305,304
Permits and fees	1,712,284	-	-	-	37,212	1,749,496
Sales and services	3,313,169	-	-	-	156,979	3,470,148
Interest earned on investments	2,422,215	418,858	-	11,597	146,587	2,999,257
Miscellaneous	309,419	36,597	-	-	-	346,016
Total revenues	66,188,368	954,779	1,875,659	401,316	13,224,353	82,644,475
Expenditures:						
Current:						
General government	10,190,695	-	-	-	202,686	10,393,381
Public safety	17,974,908	-	-	-	5,144,327	23,119,235
Transportation	1,816,675	-	-	-	-	1,816,675
Economic and physical development	646,584	-	-	-	4,147,955	4,794,539
Human services	12,502,255	-	-	-	191,835	12,694,090
Education	11,744,567	-	-	-	2,225,427	13,969,994
Cultural and recreational	2,987,206	-	-	-	7,482	2,994,688
Debt service:						
Principal repayments	252,208	3,524,560	-	-	-	3,776,768
Interest	7,217	885,284	-	-	-	892,501
Total expenditures	58,122,315	4,409,844	-	-	11,919,712	74,451,871
Revenues over (under) expenditures	8,066,053	(3,455,065)	1,875,659	401,316	1,304,641	8,192,604
Other Financing Sources (Uses):						
Lease liabilities issued	193,331	-	-	-	-	193,331
Subscription liabilities issued	454,928	-	-	-	-	454,928
Transfers in	1,987,478	4,440,953	-	-	1,740,688	8,169,119
Transfers (out)	(3,043,948)	-	(1,875,659)	-	(3,469,602)	(8,389,209)
Total other financing sources (uses)	(408,211)	4,440,953	(1,875,659)	-	(1,728,914)	428,169
Net change in fund balances	7,657,842	985,888	-	401,316	(424,273)	8,620,773
Fund Balances:						
Beginning of year - July 1	44,045,359	3,753,212	-	30	7,602,809	55,401,410
End of year - June 30	$ 51,703,201	$ 4,739,100	$ -	$ 401,346	$ 7,178,536	$ 64,022,183

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

MACON COUNTY, NORTH CAROLINA

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

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:	
Net change in fund balances - total governmental funds	$ 8,620,773
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	63,209
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition differences for the following revenues types:	
Ambulance revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(137,726)
Public health fees in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	117,271
Other revenues in the Statement of Activities that were not recognized as revenue under the modified accrual method.	1,721,348
Change in interest receivable	242
Accrued interest and amortization of refunding costs and premiums and amortized expenses that do not require current financial resources are not reported as expenditures in the governmental funds statement.	138,794
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(40,123)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,776,768
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.	
Pension expense - LEOSSA	(107,597)
Pension expense - LGERS	(829,897)
Pension expense - ROD	(7,518)
OPEB plan expense	4,128,959
Capital assets (net) disposed of during the year are not recognized on the modified accrual basis.	(26,823)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense; rather it is an increase in capital assets.	3,318,495
Right to use leased and subscription asset capital outlay expenditures, which were capitalized	651,009
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(1,975,866)
Amortization expense for leases and subscriptions	(155,545)
The issuance of long-term debt (e.g., bonds, leases) and the refunding of long-term debt provide current financial resources to governmental funds. The repayment of refunded long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, is reported in the Statement of Activities.	(648,259)
The net revenue (expense) of the internal service funds are reported with governmental activities.	101,474
Change in net position of governmental activities (Exhibit B)	$ 18,708,988

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 33,343,295	$ 34,343,295	$ 34,363,339	$ 20,044
Local option sales taxes	12,173,788	14,133,988	14,369,525	235,537
Unrestricted intergovernmental revenues	428,000	428,000	495,992	67,992
Restricted intergovernmental revenues	8,412,892	11,137,917	9,202,425	(1,935,492)
Permits and fees	1,390,294	1,705,294	1,712,284	6,990
Sales and services	3,137,614	3,300,889	3,313,169	12,280
Investment earnings	110,000	2,310,000	2,422,215	112,215
Miscellaneous	51,230	215,668	309,419	93,751
Total revenues	59,047,113	67,575,051	66,188,368	(1,386,683)
Expenditures:				
Current:				
General government	9,697,780	15,080,136	10,190,695	4,889,441
Public safety	17,861,392	19,819,835	17,974,908	1,844,927
Transportation	2,222,422	3,283,017	1,816,675	1,466,342
Economic and physical development	641,303	1,108,343	646,584	461,759
Human services	12,960,304	15,388,649	12,502,255	2,886,394
Cultural and recreational	3,055,439	3,245,757	2,987,206	258,551
Intergovernmental:				
Education	10,314,908	11,824,908	11,744,567	80,341
Debt service:				
Principal	-	252,222	252,208	14
Interest and fees	-	7,232	7,217	15
Total expenditures	56,753,548	70,010,099	58,122,315	11,887,784
Revenues over (under) expenditures	2,293,565	(2,435,048)	8,066,053	10,501,101
Other Financing Sources (Uses):				
Lease liabilities issued	-	750,000	193,331	(556,669)
Subscription liabilities issued	-	2,700,000	454,928	(2,245,072)
Transfers in	-	2,012,501	1,987,478	(25,023)
Transfers (out)	(2,293,565)	(3,043,948)	(3,043,948)	-
Appropriated fund balance	-	16,495	-	(16,495)
Total other financing sources (uses)	(2,293,565)	2,435,048	(408,211)	(2,843,259)
Revenues and other financing sources over (under) expenditures and other financing uses	$ -	$ -	7,657,842	$ 7,657,842
Fund Balance:				
Beginning of year - July 1			44,045,359	
End of year - June 30			$ 51,703,201	

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL OPIOID SETTLEMENT FUND FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Variance from Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Opioid Settlement funds	$ -	$ -	$ 389,719	$ 389,719
Investment earnings	-	-	11,597	11,597
Total revenues	-	-	401,316	401,316
Net change in fund balance	$ -	$ -	401,316	$ 401,316
Fund Balance:				
Beginning of year - July 1			30	
End of year - June 30			$ 401,346	

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities	Governmental Activities
	Solid Waste Fund	Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	$ 14,080,373	$ 671,780
Accounts receivable, net	381,373	-
Total current assets	14,461,746	671,780
Non-current assets:		
Cash and cash equivalents, restricted	654,043	-
Non-depreciable capital assets	2,164,254	-
Depreciable capital assets, net	7,854,821	-
Total capital assets	10,019,075	-
Total non-current assets	10,673,118	-
Total assets	25,134,864	671,780
Deferred Outflows of Resources:		
Pension deferrals	493,835	-
OPEB deferrals	1,521,161	-
Total deferred outflows of resources	2,014,996	-
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	364,859	289,496
Current portion of accrued landfill closure and post-closure care cost	35,427	-
Current portion of long-term liabilities	1,031,903	-
Compensated absences payable - current	9,121	-
Total current liabilities	1,441,310	289,496
Non-current liabilities:		
Net pension liability - LGERS	710,483	-
Accrued landfill closure and post-closure care cost	13,765,223	-
Compensated absences payable	82,090	-
Total OPEB liability	1,532,336	-
Long-term liabilities - non-current	2,130,649	-
Total non-current liabilities	18,220,781	-
Total liabilities	19,662,091	289,496
Deferred Inflows of Resources:		
Pension deferrals	13,492	-
OPEB deferrals	3,473,256	-
Total deferred inflows of resources	3,486,748	-
Net Position:		
Net investment in capital assets	7,510,566	-
Unrestricted	(3,509,545)	382,284
Total net position	$ 4,001,021	$ 382,284

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

MACON COUNTY, NORTH CAROLINA

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

	Business-Type Activities	Governmental Activities
	Solid Waste Fund	Internal Service Fund
Operating Revenues:		
Landfill fees	$ 2,957,919	$ -
Solid waste disposal fees	34,539	-
Charges for services	-	5,037,319
Tipping fees	1,855,666	-
Scrap tire revenues	70,469	-
Other	638,916	-
Total operating revenues	5,557,509	5,037,319
Operating Expenses:		
Salaries	1,596,255	-
Employee benefits	335,185	-
Benefit payments	-	13,783
Insurance premiums	-	5,002,453
Operating expenses	1,808,290	-
Landfill closure and post-closure care cost	4,642,854	-
Depreciation and amortization	877,370	-
Total operating expenses	9,259,954	5,016,236
Operating income (loss)	(3,702,445)	21,083
Non-Operating Revenues (Expenses):		
Interest earned on investments	292,188	18,635
Gain (loss) on disposal of capital assets	(5,978)	-
Interest and fees	(79,679)	-
Total non-operating revenues (expenses)	206,531	18,635
Net income (loss) before transfers	(3,495,914)	39,718
Transfers in (out)	158,334	61,756
Change in net position	(3,337,580)	101,474
Net Position:		
Beginning of year - July 1	7,338,601	280,810
End of year - June 30	$ 4,001,021	$ 382,284

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

MACON COUNTY, NORTH CAROLINA

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

	Business-Type Activities	Governmental Activities
	Solid Waste Fund	**Internal Service Fund**
Cash Flows from Operating Activities:		
Cash received from customers	$ 4,698,938	$ 5,037,319
Cash paid for goods and services	(1,891,081)	(5,021,510)
Cash paid to employees for services	(2,132,709)	-
Other operating revenues	844,184	-
Net cash provided (used) by operating activities	1,519,332	15,809
Cash Flows from Non-Capital Financing Activities:		
Transfers to/from other funds	158,334	61,756
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(134,199)	-
Lease liability payments made	(4,115)	-
Principal paid on long-term debt	(1,010,057)	-
Proceeds from sale of assets	55,381	-
Interest paid on long-term debt	(85,082)	-
Net cash provided (used) for capital and related financing activities	(1,178,072)	-
Cash Flows from Investing Activities:		
Interest on investments	292,188	18,635
Net increase (decrease) in cash and cash equivalents	791,782	96,200
Cash and Cash Equivalents:		
Beginning of year - July 1	13,942,634	575,580
End of year - June 30	$ 14,734,416	$ 671,780
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$ (3,702,445)	$ 21,083
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	877,370	-
Change in estimate of closure and post-closure care cost	4,524,747	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	(14,387)	-
(Increase) decrease in deferred outflows - pension	(188,333)	-
(Increase) decrease in deferred outflows - OPEB	282,272	-
Increase (decrease) in net pension liability	541,541	-
Increase (decrease) in deferred inflows - pension	(300,236)	-
Increase (decrease) in deferred inflows - OPEB	(84,691)	-
Increase (decrease) in accounts payable and accrued liabilities	43,019	(5,274)
Increase (decrease) in OPEB liability	(465,144)	-
Increase (decrease) in accrued vacation pay	5,619	-
Net cash provided (used) by operating activities	$ 1,519,332	$ 15,809

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

Exhibit K

MACON COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	$ 29,275
Taxes receivable for other governments, net	18,451
Total assets	47,726
Liabilities:	
Due to other governments	21,497
Net Position:	
Restricted for:	
Individuals, organizations and other governments	26,229
Total net position	$ 26,229

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

MACON COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Funds
Additions:	
Property taxes collected for other governments	$ 2,981,608
Collections on behalf of individuals/organizations	138,920
Total additions	3,120,528
Deductions:	
Property taxes distributed to other governments	2,988,615
Payments on behalf of individuals/organizations	143,501
Total deductions	3,132,116
Net increase (decrease) in fiduciary net position	(11,588)
Net Position:	
Beginning of year - July 1	37,817
End of year - June 30	$ 26,229

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

1. Summary of Significant Accounting Policies

The accounting policies of Macon County, North Carolina, (the "County") and its discretely presented component unit 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 County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units as legally separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the combined financial statements. One of the discretely presented component units presented below is reported in a separate column in the County's combined financial statements in order to emphasize that it is legally separate from the County.

Discretely Presented Component Units

Macon County Industrial Facility and Pollution Control Financing Authority

Macon County Industrial Facility and Pollution Control Financing Authority (the "Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member Board of Commissioners, all of whom are appointed by the County Commissioners. The County can remove any Commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Authority does not issue separate financial statements.

Macon County Airport Authority

Macon County Airport Authority exists to purchase, construct, or acquire equipment to improve, maintain, or operate airports and landing fields within the limits of the County. The Authority is fiscally dependent on the County due to the County providing the costs and services of the administrative and finance function. The Authority is governed by five members, all of whom are appointed by the Macon County Commissioners; therefore, the County has significant influence over the operations of the Authority.

Complete financial statements for the individual component unit may be obtained at the administrative offices of the County at 5 West Main Street, Franklin, North Carolina 28734.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation, Measurement Focus – Basis of Accounting

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between *governmental* and *business-type activities* of the County. 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 County and for each function of the County'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 County's funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each of which is 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 items, such as investment earnings, are ancillary activities.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, federal and state grants, and various other taxes and licenses. The primary expenditures are for public safety, environmental protection, economic and physical development, human services, cultural and recreational projects, education, and general government services.

Debt Service Fund. The Debt Service Fund is used to account for all expenditures for principal and interest for all long-term debt payments. The other governmental fund types provide the resources to the Debt Service Fund to make the payments through transfers.

American Rescue Plan Fund. This special revenue fund is used to track the revenue and expenditures of funds received from the American Rescue Plan Act.

Opioid Settlement Fund. This special revenue fund is used to track the revenue and expenditures of funds received from opioid settlements and abatements.

The County reports the following nonmajor governmental funds:

Special Revenue Funds. Special revenue funds are used to account for specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains several nonmajor special revenue funds: the Emergency Telephone System Fund, the Fire Districts Fund, the Occupancy Tax Fund, the Housing Grants Fund, the Western Carolina Industrial Partners Fund, the Deed of Trust Fund, the Representative Payee Fund, the Relief Fund, and the Fines and Forfeitures Fund.

Capital Project Funds. Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds). The County has six nonmajor capital project funds within the governmental fund types: the Airport Improvements Fund, the County Buildings Project Fund, the Riverbend Estates Waterline Project Fund, the Little Tennessee River/Cartoogechaye Creek Sewer Trunk Project Fund, the Schools Capital Fund, the Consolidated Capital Project Fund, and the Capital Reserve Fund.

The County reports the following major enterprise fund:

Solid Waste Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites. The Landfill Closure and Post-Closure Reserve Fund is a reserve established by the County to accumulate the funds necessary to cover the closure and post-closure care costs that will be incurred by the landfill in the future. The Landfill Closure and Post-Closure Reserve Fund and the Solid Waste Capital Project Fund are consolidated with the Solid Waste Fund (the operating fund) for financial reporting purposes.

The County reports the following fund types:

Internal Service Funds. Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. Macon County has one internal service fund: the Self-Insurance Fund.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for motor vehicle property taxes that are billed and collected by the state for municipalities within the County and ad valorem taxes that are billed and collected by the County for municipalities within the County; and the Jail Inmate Pay Fund, which account for monies deposited with the jail for the benefit of certain individuals.

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

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, 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 County's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation and 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 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 County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue, because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. Motor vehicle property tax revenues 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 on 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 County, are recognized as revenue. 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County 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 County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the General Fund, the Debt Service Fund, all special revenue funds, except for the Housing Grants Fund, the Capital Reserve Fund, the American Rescue Plan Act Fund, the Schools Capital Fund, the Enterprise Fund, and the Internal Service Fund. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Housing Grants (Special Revenue) Fund, The American Rescue (Special Revenue) Fund, and all capital project funds except for the Schools Capital Fund and the Capital Reserve Fund. The enterprise capital projects funds are consolidated with the enterprise funds for operating purposes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for the General Fund, special revenue funds, Enterprise Fund, and Internal Service Fund, or at the object level for the capital projects funds. The Finance Director is authorized by the budget ordinance to transfer appropriations between objects of expenditure within a department. During the year, several amendments to the original budget were necessary, the effects of which increased revenues and expenditures by approximately $14 million. 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.

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

Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by G.S. 159-31. The County may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the County 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 County 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 majority of the County's investments are carried at fair value. Non-participating interest earning investment contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT), which consists of an SEC-registered money market mutual fund is reported at fair value. Government Portfolio is a 2a7 fund, which invests in treasuries and government agencies and is rated AAAm by S&P and AAA-mf by Moody Investor Services.

Cash and Cash Equivalents

The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Restricted Assets

The unexpended grant funds are classified as restricted assets in the General Fund, the Housing Grants Fund, the County Building Project Fund, and the American Rescue Plan Fund because their use is completely restricted to the purpose for which the funds were originally granted. The unexpended opioid settlement proceeds are classified as restricted assets because their use is restricted for opioid abatement. The unexpended bond proceeds of the Consolidated Capital Projects Fund's limited obligation bonds are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. The unexpended bond proceeds of the Solid Waste Fund's special obligation bonds are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. The unexpended interest earned in the Opioid Settlement Fund and the County Buildings Project Fund is restricted for the purpose of allowable costs.

Restricted Cash	Purpose	Amount
Governmental Activities:		
General Fund	Unexpended grant funds	$ 764,764
Consolidated Capital Projects Fund	Unexpended bond proceeds	35,660
Opioid Settlement Fund	Unexpended settlement proceeds	389,749
Opioid Settlement Fund	Unexpended interest earned	11,597
American Rescue Plan Fund	Unexpended grant funds	3,247,414
County Buildings Project Fund	Unexpended grant funds	442,517
County Buildings Project Fund	Unexpended interest earned	3,834
Housing Grants Fund	Unexpended grant funds	150,498
		5,046,033
Business-Type Activities:		
Solid Waste Fund	Unexpended bond proceeds	654,043
Total restricted cash		$ 5,700,076

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the County 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, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022.

Lease Receivable

The County'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.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

Inventories are valued at cost (first-in, first-out method), which approximates market values. The inventory of the General Fund consists of expendable supplies and is recorded as an expenditure when consumed.

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

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. The County has elected not to capitalize those interest costs, which are incurred during the construction period of capital assets. The County's capitalization threshold is $5,000. 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.

The County holds title to certain Macon County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education after all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Macon County Board of Education.

The County's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the County reports a lease (only applies when the County is the lessee) or agreements where the County reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

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

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

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Asset	Estimated Useful Lives
Buildings	15-20 years
Equipment	7 years
Vehicles	5 years

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources,* represents a consumption of net assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The County has two items that meet the criteria – pension and OPEB related deferrals. In addition to liabilities, the Statement of Net Position can 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 future periods and so will not be recognized as revenue until then. The

County has several items that meet the criteria for this category – prepaid taxes, property taxes receivable, miscellaneous receivables, leases, and pension and OPEB related deferrals.

Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

Compensated Absences

The vacation policy of the County provides for the accumulation of up to thirty (30) days of earned vacation leave, with such leave being fully vested when earned. An expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned in the County's government-wide and proprietary funds' financial statements.

The County's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary funds financial statements are classified as net investment in capital assets: restricted and unrestricted. Restricted net position represents constraints on resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) 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.

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

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

Notes Receivable, Long-Term – portion of fund balance that is not an available resource because it represents the year-end balance of ending long-term notes receivables, which are not spendable resources.

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

Restricted Fund Balance. This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by state statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as 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 Public Safety – portion of fund balance restricted by revenue source for public safety related activities, such as police, fire, EMS, and E-911, including Title III timber receipts.

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for advertising and promotions for western North Carolina industries in the Western Carolina Industrial Partners Fund.

Restricted for Human Services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee program and for opioid settlements.

Restricted for Cultural and Recreational – portion of fund balance restricted by revenue source for cultural and recreational activities.

Restricted for Education – portion of fund balance in the General Fund restricted by revenue source to be used to support public education, including timber receipts, which are restricted by the federal government for educational purposes. The Consolidated Capital Projects Fund had $35,660 in unspent bond proceeds June 30, 2023.

The difference in restricted fund balance on Exhibit C from restricted net position on Exhibit A is the unspent bond proceeds of $35,660 and the net ROD pension plan of $50,123.

Committed Fund Balance. This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government'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 General Government – represents the portion of fund balance committed by the governing body for future governmental related capital projects.

Committed for Economic and Physical Development – represents the portion of fund balance committed by the governing body for economic and physical development related purposes.

Committed for Education – represents the portion of fund balance committed by the governing body for education related purposes.

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

Assigned for Debt Service – portion of fund balance budgeted by the governing board to be used to service outstanding debt.

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 or other funds. Only the General Fund may report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative fund balance.

Macon County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following order: bond/debt proceeds, federal funds, state funds, local non-County funds, and County 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 County or when required by grant or other contractual agreements.

The County has not officially adopted a formal fund balance policy.

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	$	51,703,201
Less:		
Inventories		11,938
Prepaids		377,557
Notes receivable, long term		28,335
Leases		1,232
Stabilization by state statute		5,640,570
Total available fund balance	$	45,643,569

E. Revenues, Expenditures, and Expenses

Other Resources

The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as "transfers out" in the General Fund and "transfers in" in the receiving fund.

F. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 allowances for doubtful accounts, depreciation lives, and landfill closure and post-closure care costs.

G. Defined Benefit Cost-Sharing Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the state; the Local Governmental Employees' Retirement System (LGERS); and the Register of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For the purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due, and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Detail Notes on All Funds

A. Assets

Deposits

All of the County's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's agent in the County's 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 County, these deposits are considered to be held by the County's agent in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all Pooling Method financial institutions. The County relies on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the deposits of Macon County had a carrying amount of $23,812,313 and a bank balance of $24,215,703. Of the bank balance, $633,581 was covered by federal depository insurance and the remaining balance by collateral held under the Pooling Method. Cash on hand was $3,200.

At June 30, 2023, the Airport Authority's deposits had a book balance of $116,419 and a bank balance of $116,419. Of the bank balance, $116,419 was covered by federal depository insurance.

Investments

At June 30, 2023, the County had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6-12 Months
NC Capital Management				
Trust - Government Portfolio *	Fair Value - Level 1	$ 56,544,225	$ 56,544,225	$ -

* Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 Months. The NCCMT Government Portfolio has an AAAm rating from S&P and AAA-mf by Moody's Investor Service.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active market for identical assets.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

Credit Risk. The County had no formal policy on managing credit risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's and AAA-mf by Moody's Investor Services as of June 30, 2023.

Property Tax – Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Fiscal Year Levied	Tax	Interest	Total
2020	$ 803,381	$ 263,107	$ 1,066,488
2021	799,668	189,921	989,589
2022	847,749	125,043	972,792
2023	841,497	48,386	889,883
Total	$ 3,292,295	$ 626,457	$ 3,918,752

Receivables

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

	Accounts	Taxes	Lease Receivable	Notes Receivable	Interest	Due from Other Governments	Total
Governmental Activities:							
General	$ 2,443,983	$ 1,047,443	$ 105,469	$ 28,335	$ 7,778	$ 5,630,029	$ 9,263,037
Other governmental	4,096,045	188,192	-	-	-	1,326,292	5,610,529
Allowance for doubtful accounts	(1,110,180)	(657,948)	-	-	-	-	(1,768,128)
Total governmental activities	$ 5,429,848	$ 577,687	$ 105,469	$ 28,335	$ 7,778	$ 6,956,321	$ 13,105,438
Not expected to be collected during the subsequent year	$ 3,290,956	$ -	$ 97,145	$ 28,335	$ -	$ -	$ 3,416,436
Business-Type Activities:							
Solid waste	$ 609,497	$ -	$ -	$ -	$ -	$ -	$ 609,497
Allowance for doubtful accounts	(228,124)	-	-	-	-	-	(228,124)
Total business-type activities	$ 381,373	$ -	$ -	$ -	$ -	$ -	$ 381,373

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

	Governmental Activities
Local option sales and use tax/sales tax refund	$ 4,394,689
Due from State DMV	207,953
Grants receivable	730,061
Others	1,623,618
Total	$ 6,956,321

At June 30, 2023, property taxes for other governments in the custodial fund is net of an allowance for doubtful accounts of $5,400.

Lease Receivable

On 1/01/2023, Macon County entered into a 120-month lease as lessor for the use of Communication Tower – Sutton Radiocasting Corporation 2023-2032. An initial lease receivable was recorded in the amount of $73,171. As of 06/30/2023, the value of the lease receivable is $70,333. The lessee is required to make monthly fixed payments of $615. The lease has an interest rate of 0.28530%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $69,512, and Macon County recognized lease revenue of $3,659 during the fiscal year.

On 01/01/2023, Macon County entered into a 120-month lease as lessor for the use of Communication Tower – Blue Ridge Broadcasting 2023-2032. An initial lease receivable was recorded in the amount of $36,553. As of 06/30/2023, the value of the lease receivable is $35,136. The lessee is required to make monthly fixed payments of $307. The lease has an interest rate of 0.28350%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $34,725, and Macon County recognized lease revenue of $1,828 during the fiscal year.

On 07/01/2021, Macon County entered into a 17-month lease as lessor for the use of Macon County Business Development Center - Unit A. An initial lease receivable was recorded in the amount of $31,199. As of 06/30/2023, the value of the lease receivable is $0. The lessee is required to make monthly fixed payments of $1,840. The lease has an interest rate of 0.3870%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $0, and Macon County recognized lease revenue of $9,176 during the fiscal year. The lessee has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 16-month lease as lessor for the use of Macon County Business Development Center - Unit B. An initial lease receivable was recorded in the amount of $19,438. As of 06/30/2023, the value of the lease receivable is $0. The lessee is required to make monthly fixed payments of $1,218. The lease has an interest rate of 0.3870%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $0, and Macon County recognized lease revenue of $5,244 during the fiscal year. The lessee has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 21-month lease as Lessor for the use of USDA Service Center - 189 Thomas Heights Road. An initial lease receivable was recorded in the amount of $17,286. As of 06/30/2023, the value of the lease receivable is $0. The lessee is required to make monthly fixed payments of $827. The lease has an interest rate of 0.5140%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $0, and Macon County recognized lease revenue of $7,408 during the fiscal year.

On 07/01/2021, Macon County entered into an 18-month lease as lessor for the use of Communication Tower - Sutton Radiocasting Corporation. An initial lease receivable was recorded in the amount of $8,967. As of 06/30/2023, the value of the lease receivable is $0. The lessee is required to make monthly fixed payments of $500. The lease has an interest rate of 0.5140%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $0, and Macon County recognized lease revenue of $2,989 during the fiscal year. The lessee has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into an 18-month lease as lessor for the use of Communication Tower - Blue Ridge Broadcasting. An initial lease receivable was recorded in the amount of $4,484. As of 06/30/2023, the value of the lease receivable is $0. The lessee is required to make monthly fixed payments of $250. The lease has an interest rate of 0.5140%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $0, and Macon County recognized lease revenue of $1,495 during the fiscal year.

The future minimum lease receivable payments as of June 30, 2023, were as follows:

Year Ending June 30	Principal	Interest
2024	$ 8,324	$ 2,902
2025	8,905	2,657
2026	9,515	2,395
2027	10,155	2,115
2028	10,825	1,817
2029-2033	57,745	3,941
Total	$ 105,469	$ 15,827

Governmental Capital Assets

A summary of changes in the County's governmental capital assets follows:

	July 1, 2022	Additions	Retirements	Transfers	June 30, 2023
Non-Depreciable Assets:					
Land	$ 10,062,224	$ 893,218	$ (16,300)	$ -	$ 10,939,142
Construction in progress	1,405,925	345,253	-	(1,384,370)	366,808
Total non-depreciable assets	11,468,149	1,238,471	(16,300)	(1,384,370)	11,305,950
Depreciable Assets:					
Buildings and improvements	33,150,310	491,927	-	-	33,642,237
Equipment	5,056,036	643,439	(268,017)	1,384,370	6,815,828
Vehicles	8,074,827	944,658	(537,726)	-	8,481,759
Total depreciable assets	46,281,173	2,080,024	(805,743)	1,384,370	48,939,824
Right to Use Assets:					
Leased equipment	132,953	193,331	(80,698)	-	245,586
Leased buildings and infrastructure	41,600	-	-	-	41,600
Subscriptions	-	457,678	-	-	457,678
Total right to use assets	174,553	651,009	(80,698)	-	744,864
Less Accumulated Depreciation:					
Buildings and improvements	25,415,608	949,982	-	-	26,365,590
Equipment	3,317,437	399,559	(257,494)	-	3,459,502
Vehicles	6,544,239	626,325	(537,726)	-	6,632,838
Total accumulated depreciation	35,277,284	1,975,866	(795,220)	-	36,457,930
Less Accumulated Amortization:					
Leased equipment	82,457	50,099	(80,698)	-	51,858
Leased buildings and infrastructure	8,298	8,298	-	-	16,596
Subscriptions	-	97,148	-	-	97,148
Total accumulated amortization	90,755	155,545	(80,698)	-	165,602
Total capital assets being depreciated, net	11,087,687				13,061,156
Capital assets, net	$ 22,555,836				$ 24,367,106

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

Governmental Activities:	
General government	$ 446,927
Public safety	715,167
Economic and physical development	9,063
Transportation	155,566
Human services	163,727
Cultural and recreational	640,961
Total	$ 2,131,411

MACON COUNTY, NORTH CAROLINA

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

Proprietary Capital Assets

The capital assets of the Proprietary Fund at June 30, 2023 are as follows:

	July 1, 2022	Additions	Retirements	June 30, 2023
Non-Depreciable Assets:				
Construction in progress	$ 54,215	$ 78,377	$ -	$ 132,592
Land	2,093,021	-	(61,359)	2,031,662
Total non-depreciable assets	2,147,236	78,377	(61,359)	2,164,254
Depreciable Assets:				
Buildings and improvements	17,209,763	-	-	17,209,763
Equipment	5,345,969	29,036	(58,194)	5,316,811
Vehicles	862,710	26,786	(11,500)	877,996
Total depreciable assets	23,418,442	55,822	(69,694)	23,404,570
Right to Use Assets:				
Leased land	8,585	-	(8,585)	-
Less Accumulated Depreciation:				
Buildings and improvements	9,967,018	468,949	-	10,435,967
Equipment	3,929,739	398,199	(58,194)	4,269,744
Vehicles	849,422	6,116	(11,500)	844,038
Total accumulated depreciation	14,746,179	873,264	(69,694)	15,549,749
Less Accumulated Amortization:				
Leased land	4,479	4,106	(8,585)	-
Total capital assets being depreciated, net	8,676,369			7,854,821
Capital assets, net	$ 10,823,605			$ 10,019,075

Construction Commitments

The County has active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Macon Middle School	$ 10,439,816	$ 2,038,806
Franklin High School	1,680,478	450,925
Transit Awning Construction	241,300	12,700
Transit Building Addition	7,600	707,400
Landfill vertical expansion	58,907	54,543
Total	$ 12,428,101	$ 3,264,374

B. Liabilities

Payables

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

	Vendors	Salaries and Benefits	Accrued Interest	Insurance Claims Incurred But Not Reported	Total
Governmental Activities	$ 2,486,382	$ 1,183,428	$ 185,912	$ 289,496	$ 4,145,218
Business-Type Activities:					
Solid waste	$ 269,973	$ 77,966	$ 16,920	$ -	$ 364,859

Pension Plan and Other Post-Employment Obligations

Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEO) of participating local government 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, the State Treasurer, and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www. osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service.

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 credible 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. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County'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 County were $2,575,654 for the year ended June 30, 2023.

Refunds of Contributions. County 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 County reported a liability of $12,476,582 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 County's proportion of the net pension liability was based on a projection of the County'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, 2022, measurement date, the County's proportion was 0.22116% which was a decrease of 0.00386% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of $3,458,523. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 537,605	$ 52,709
Changes of assumptions and other inputs	1,244,883	-
Net difference between projected and actual earnings on pension plan investments	4,123,641	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	99,776	189,717
Employer contributions subsequent to the measurement date	2,575,654	-
Total	$ 8,581,559	$ 242,426

$2,575,654 reported as deferred outflows of resources related to pensions resulting from County 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:

Year Ending June 30	Amount
2024	$ 1,756,940
2025	1,544,506
2026	497,454
2027	1,964,579
2028	-
Total	$ 5,763,479

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

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 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 COLA amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study completed in early 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.

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	$ 22,518,624	$ 12,476,582	$ 4,201,357

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. Macon County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of 3 retirees receiving benefits and 52 active members.

Summary of Significant Accounting Policies

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

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

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	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity 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 rates are based on the following:

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 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are Set Back 3 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 3 years. Rates for female members are Set Forward 1 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.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $34,193 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 County reported a total pension liability of $1,709,071. 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 County recognized pension expense of $170,479.

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$ 44,088	$ 81,545
Changes of assumptions and other inputs	338,256	314,562
Benefit payments and administrative expenses paid subsequent to the measurement date	43,279	-
Total	$ 425,623	$ 396,107

$43,279 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows or deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	$ 17,618
2025	26,333
2026	30,698
2027	(33,285)
2028	(55,127)
Thereafter	-
Total	$ (13,763)

Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 4.31 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.31 percent) or one-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	$ 1,858,072	$ 1,709,071	$ 1,573,512

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

	2023
Beginning balance	$ 1,913,012
Service cost	111,288
Interest on the total pension liability	42,658
Differences between expected and actual experience in the measurement of the total pension liability	(1,073)
Changes of assumptions and other inputs	(322,621)
Benefit payments	(34,193)
Ending balance of the total pension liability	$ 1,709,071

Changes of Assumptions. Changes of assumption and other inputs reflect a change in the Municipal Bond Index Rate from 2.25% at December 31, 2021 (measurement date) to 4.31% at December 31, 2022 (measurement date).

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

Supplemental Retirement Income Plan

Law Enforcement Officers

Plan Description. The County 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 County. 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 Pension Trust Fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the 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 County to contribute each month an amount equal to 5.0% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County contributed $172,365 for the year ended June 30, 2023. No amounts were forfeited.

General Employees

The County has elected to contribute to the Supplemental Retirement Income Plan for general employees as well as for law enforcement officers. Participation begins immediately with full-time employment status. The County has elected to make contributions each month in an amount equal to 2% of each participating employee's salary, and all amounts contributed are vested immediately. Also, the employees may make additional voluntary contributions to the plan. The County contributed $349,694 for the year ended June 30, 2023. No amounts were forfeited.

Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, defined benefit plan administered by the North Carolina Department of State Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 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, the State Treasurer, and the State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least ten years of service as a Register of Deeds, with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year, and for the foreseeable future, is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $3,650 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of $50,123 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset 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 County's proportion of the net pension asset was based on the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2022, the County's proportion was 0.3786%, which was a decrease of 0.0501% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of $11,167. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 386	$ 909
Changes of assumptions	2,654	-
Net difference between projected and actual earnings on pension plan investments	20,833	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,860	2,602
County contributions subsequent to the measurement date	3,650	-
Total	$ 34,383	$ 3,511

$3,650 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset 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:

Year Ending June 30	Amount
2024	$ 7,002
2025	8,045
2026	6,935
2027	5,240
Total	$ 27,222

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

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Discount rate	3.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. 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 adopted asset allocation policy for the RODSPF is 99.9% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.1%.

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in early 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 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower (2.00%) or one-percentage-point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	$ (57,774)	$ (50,123)	$ (85,307)

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.

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2021. The total pension liability for LEOSSA was measured as of December 31, 2022, with an actuarial valuation date of December 31, 2021.

The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	LEOSSA	ROD	Total
Proportionate share of net pension liability (asset)	$ 12,476,582	NA	$ (50,123)	$ 12,426,459
Proportion of the net pension liability (asset)	0.221%	NA	-0.379%	
Total pension liability	NA	1,709,071	NA	1,709,071
Pension expense	3,458,523	170,479	11,167	3,640,169

At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	**LGERS**	**LEOSSA**	**ROD**	**Total**
Differences between expected and actual experience	$ 537,605	$ 44,088	$ 386	$ 582,079
Changes of assumptions	1,244,883	338,256	2,654	1,585,793
Net difference between projected and actual earnings on pension plan investments	4,123,641	-	20,833	4,144,474
Changes in proportion and differences between County contributions and proportionate share of contributions	99,776	-	6,860	106,636
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,575,654	43,279	3,650	2,622,583
Total deferred outflows of resources	$ 8,581,559	$ 425,623	$ 34,383	$ 9,041,565

Deferred Inflows of Resources				
Differences between expected and actual experience	$ 52,709	$ 81,545	$ 909	$ 135,163
Changes of assumptions	-	314,562	-	314,562
Changes in proportion and differences between County contributions and proportionate share of contributions	189,717	-	2,602	192,319
Total deferred inflows of resources	$ 242,426	$ 396,107	$ 3,511	$ 642,044

Other Post-Employment Benefits – Healthcare

Plan Description. In addition to providing pension benefits, the County has elected to provide post-retirement healthcare benefits to retirees of the County. Employees that retire from the North Carolina Local Governmental Employees' Retirement System (NCLGERS), are actively employed with the County at the time of retirement and are members of the County's Group Health Insurance Plan will be eligible to continue as a member of the County's Group Health Insurance Plan according to the following schedule:

Years of Service at Retirement	Group Medical Insurance	Group Prescription Insurance	Medicare Supplement Coverage	Medicare Prescription Coverage	Spouse Coverage Available to Retiree
15 – 24 years hired prior to 7/1/2014*	Until Age 65	Until Age 65	No	No	No
25 – 29 years hired prior to 7/1/2014*	Until Age 65	Until Age 65	Yes	Yes	No
30 or more years hired prior to 7/1/2014*	Until Age 65	Until Age 65	Yes	Yes	Yes
30 or more years hired 7/1/2014 – 6/30/2019*	Until Age 65	Until Age 65	Yes	Yes	No
30 or more years hired on/after 7/1/2019^	Until Age 65	Until Age 65	Yes	Yes	No

**As determined by NCLGERS*
^All service must be permanent service with Macon County

For pre-Medicare retirees, medical and prescription drug coverage are provided through the County's Group Health Insurance Plan. Medicare supplemental insurance is offered for Medicare eligible retirees. The County pays the full premium for all qualifying pre-Medicare retirees. The County pays the full Blue Cross Blue Shield Attained Age Plan G premium and the full Blue Cross Blue Shield Part D Prescription Plan premium for qualifying Medicare eligible retirees. If hired prior to July 1, 2014, the retiree may continue spouse coverage if enrolled in spouse coverage at the time of retirement and if the retiree has at least 30 years of NCLGERS service upon retirement. The retiree must contribute the same amount that active employees contribute for spouse coverage, currently $394 per month. Spouse coverage terminates upon the retiree's death. Spouse coverage is not available to retirees hired on or after July 1, 2014. Currently, 86 retirees are receiving post-retirement health benefits. For the fiscal year ended June 30, 2023, the County contributed $845,267 for post-retirement medical claims, prescription drug claims, stop loss premiums, administrative fees, medical premiums, and prescription drug premiums. The plan is a single-employer defined benefit plan. 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 plan consisted of the following as of the June 30, 2021 valuation date:

Retirees and dependents receiving benefits	86
Active plan members	366
Total	452

Total OPEB Liability

The County's total OPEB liability of $31,739,215 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021, 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, including wage inflation	
General employees	3.25 to 8.41 percent
Firefighters	3.25 to 8.15 percent
Law enforcement officers	3.25 to 7.90 percent
Municipal bond index rate	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2031
Medicare medical and prescription drug	5.125 percent for 2021 decreasing to an ultimate rate of 4.50 percent by 2024

The County selected a Municipal Bond Index Rate equal to the Bond Buyer 20-Year General Obligation Bond Index published at the last Thursday of June by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	$ 39,007,081
Changes for the Year:	
Service cost	1,439,358
Interest	864,736
Differences between expected and actual experience	195,744
Changes of assumptions or other inputs	(8,938,568)
Benefit payments	(829,136)
Net changes	(7,267,866)
Balance at June 30, 2023	$ 31,739,215

Changes in assumptions and other inputs reflect a change in the discount 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.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period January 1, 2015 through 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, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County'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:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$ 37,882,186	$ 31,739,215	$ 26,966,638

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the County, as well as what the County'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:

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 26,304,983	$ 31,739,215	$ 38,890,076

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

For the year ended June 30, 2023, the County recognized OPEB expense of $(3,541,512). At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,412,957	$ 42,855,870
Changes of assumptions	15,509,914	11,413,752
Benefit payments and plan administrative expense made subsequent to the measurement date	845,267	-
Total	$ 23,768,138	$ 54,269,622

$845,267 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Total
2024	$ (5,855,349)
2025	(5,855,349)
2026	(5,446,974)
2027	(4,920,809)
2028	(6,182,843)
Thereafter	(3,085,427)
Total	$ (31,346,751)

Other Employment Benefits

The County 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 multi-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 his/her death, but the benefit will be a minimum of $25,000 and will not exceed $50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County 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 County considers these contributions to be immaterial.

Landfill Closure and Post-Closure Care Costs

Federal and state laws and regulations require the County to place a final cover on its landfills when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The County has operated three different landfills. The Old Franklin Landfill was opened in approximately 1962, stopped accepting waste on December 31, 1992, and has since been closed. The Highlands Landfill was opened in approximately 1985, stopped accepting waste on October 8, 1993, and was completely closed during the next year.

The old landfills continue to require monitoring and some remediation activities. Macon County opened the Macon County MSW Landfill in May 1992. During 1999, the County expanded the cell; and during 2020, the County added a new cell to the Macon County MSW Landfill.

Although the closure and post-closure care costs for these landfills are being paid near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $13,800,650 reported as landfill closure and post-closure care liability at June 30, 2023 represents the cumulative amount reported to date for the closure and post-closure care costs of all landfills noted above. Of the cumulative amount reported to date, $13,724,787 reflects the closure and post-closure costs of the Macon County MSW Landfill, which is based on 91.83% capacity used. The County will recognize the remaining estimated cost of closure and post-closure care of $1,221,640 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and post-closure care costs. The County expects that future inflation costs will be paid from the interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension deferrals	$ 9,041,565	$ 642,044
OPEB deferrals	23,768,138	54,269,622
Prepaid taxes not yet earned (General)	-	50,773
Leases	-	104,237
Taxes receivable, net (General)	-	489,503
Taxes receivable, net (Fire District)	-	88,184
Unavailable revenue (Opioid Settlement)	-	4,033,803
Ambulance receivable (General)	-	782,475
Public health receivable (General)	-	548,314
Total	$ 32,809,703	$ 61,008,955

Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County manages this exposure by purchasing Property and Casualty Insurance from several private insurance companies including Travelers and West Bend Mutual Insurance Company.

Through these companies, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of $1 million per occurrence; auto physical damage for owned autos at actual cash value; crime coverage of $250,000 per occurrence; and workers' compensation employer liability limit of $1 million. There is also a $10,000,000 Excess Liability policy. All property coverage and some liability coverages are subject to per occurrence deductibles, as selected by the County. The insurance companies are audited annually by certified public accountants, and audited financial statements are available to the County upon request.

Travelers and West Bend Mutual Insurance Company are fully suited to pay claims without reinsurance support. They are also subject to the NC State Guarantee Fund should they ever become insolvent. Travelers has an A++ rating with assets greater than $2 Billion. West Bend Mutual Insurance Company has an A rating with assets up to $2 Billion.

In accordance with G.S. 159-29, the County's employees that have access to $100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a $250,000 occurrence limit. Individuals holding positions requiring statutory bonds are covered elsewhere. The Finance Director and the Tax Collector are each individually bonded for $250,000. The Sheriff and the Register of Deeds are bonded for $25,000 and $50,000 each, respectively. Effective with the bond renewal on July 1, 2023 the County increased the bonding for the Finance Officer to $1 million in order to comply with S.L. 2022-53, Section 9(a).

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

Macon County is a certified County participating under the National Flood Insurance Program applicable to FEMA flood zones A, AE, AH, and HO. The County has $5,000,000 flood coverage through U.S. Specialty Insurance Company. This coverage is applicable in zones A, A1-A30, A99, AE, AH, AO, AR, AR/AE, AR/AO, AR/A1-A-30, AR/A, V, V1-V30, and VE. The policy does not cover zones B or X. Deductibles are $50,000 per occurrence. Coverage limits are $5,000,000 per occurrence.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported (IBNR). The County's claims incurred, but not reported, are considered a current liability, and are included in accounts payable of the Internal Service Fund.

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

	2023	2022
Unpaid claims - beginning	$ 294,770	$ 282,797
Incurred claims	4,982,388	4,800,626
Claim payments	(4,987,662)	(4,788,653)
Unpaid claims - ending	$ 289,496	$ 294,770

Contingent Liabilities

At June 30, 2023, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

Long-Term Obligations

Leases

The County has entered into agreements to lease certain equipment, buildings, and infrastructure. 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 12/01/2022, Macon County entered into a 60-month lease as lessee for the use of TSAChoice Mitel Phone Equipment. An initial lease liability was recorded in the amount of $193,331. As of 06/30/2023, the value of the lease liability is $171,911. Macon County is required to make monthly fixed payments of $3,491. The lease has an interest rate of 0.3305%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $193,331 with accumulated amortization of $22,555. Macon County has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 42-month lease as lessee for the use of Postage Meter - Health. An initial lease liability was recorded in the amount of $12,409. As of 06/30/2023, the value of the lease liability is $5,358. Macon County is required to make quarterly fixed payments of $900. The lease has an interest rate of 0.8930%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $12,409 with accumulated amortization of $6,932.

On 07/01/2021, Macon County entered into a 39-month lease as lessee for the use of Postage Meter-DM475 - Administration. An initial lease liability was recorded in the amount of $10,062. As of 06/30/2023, the value of the lease liability is $3,893. Macon County is required to make quarterly fixed payments of $783. The lease has an interest rate of 0.7270%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $10,062 with accumulated amortization of $6,042.

On 07/01/2021, Macon County entered into a 31-month lease as lessee for the use of Macon County Tax Administration - DS-40i. An initial lease liability was recorded in the amount of $4,398. As of 06/30/2023, the value of the lease liability is $885. Macon County is required to make quarterly fixed payments of $444. The lease has an interest rate of 0.7270%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $4,398 with accumulated amortization of $3,369.

On 07/01/2021, Macon County entered into a 36-month lease as lessee for the use of Postage Meter - DSS. An initial lease liability was recorded in the amount of $5,420. As of 06/30/2023, the value of the lease liability is $1,817. Macon County is required to make quarterly fixed payments of $456. The lease has an interest rate of 0.7270%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $5,420 with accumulated amortization of $3,613.

On 07/01/2021, Macon County entered into a 246-month lease as lessee for the use of Cowee Bald Communication Site. An initial lease liability was recorded in the amount of $25,493. As of 06/30/2023, the value of the lease liability is $23,178. Macon County is required to make annual fixed payments of $1,601. The lease has an interest rate of 2.3980%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $25,493 with accumulated amortization of $2,487.

On 07/01/2021, Macon County entered into a 67-month lease as lessee for the use of Pressure Tank & Non WL Cooler - DSS. An initial lease liability was recorded in the amount of $6,996. As of 06/30/2023, the value of the lease liability is $4,542. Macon County is required to make monthly fixed payments of $108. The lease has an interest rate of 1.2170%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $6,996 with accumulated amortization of $2,496. Macon County has 1 extension option(s), each for 60 months.

On 07/01/2021, Macon County entered into a 27-month lease as lessee for the use of Judicial Office Space - 61 East Main Street. An initial lease liability was recorded in the amount of $16,107. As of 06/30/2023, the value of the lease liability is $1,798. Macon County is required to make monthly fixed payments of $600. The lease has an interest rate of 0.5140%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $16,107 with accumulated amortization of $14,109. Macon County has 2 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 49-month lease as lessee for the use of Water Dispenser-B4 - Maintenance. An initial lease liability was recorded in the amount of $2,647. As of 06/30/2023, the value of the lease liability is $1,362. Macon County is required to make monthly fixed payments of $55. The lease has an interest rate of 0.8930%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $2,647 with accumulated amortization of $1,295. Macon County has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 26-month lease as lessee for the use of Water Purifier Dispenser - Senior Services. An initial lease liability was recorded in the amount of $1,267. As of 06/30/2023, the value of the lease liability is $98. Macon County is required to make monthly fixed payments of $49. The lease has an interest rate of 0.5140%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $1,267 with accumulated amortization of $1,143. Macon County has 1 extension option(s), each for 12 months.

On 07/01/2021, Macon County entered into a 39-month lease as lessee for the use of Water Purifier Dispenser-PC - Health. An initial lease liability was recorded in the amount of $1,748. As of 06/30/2023, the value of the lease liability is $5,584. Macon County is required to make annual fixed payments of $588.00. The lease has an interest rate of 0.7270%. The equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $1,748 with accumulated amortization of $1,064.

On 09/01/2021, Macon County entered into a 48-month lease as lessee for the use of NCSU - Apple Computer Systems. An initial lease liability was recorded in the amount of $7,308. As of 06/30/2023, the value of the lease liability is $3,668. Macon County is required to make annual fixed payments of $1,857. The lease has an interest rate of 0.8300%. The computer equipment estimated useful life was 0 months as of the contract commencement. The value of the right-to-use asset as of 06/30/2023 is $7,308 with accumulated amortization of $3,349.

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

Year Ending	Governmental Activities	
June 30	Principal	Interest
2024	$ 53,386	$ 5,845
2025	45,398	4,485
2026	41,696	3,143
2027	42,459	1,784
2028	18,458	595
2029-2033	6,170	1,833
2034-2038	6,946	1,057
2039-2042	4,581	221
Total	$ 219,094	$ 18,963

Subscriptions

The County 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 03/07/2023, Macon County entered into a 36-month subscription for the use of Small Government Term Enterprise License Agreement. An initial subscription liability was recorded in the amount of $112,537. As of 06/30/2023, the value of the subscription liability is $74,037. Macon County is required to make annual fixed payments of $38,500. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of 06/30/2023 is $112,537 with accumulated amortization of $11,879.

On 10/20/2022, Macon County entered into a 24-month subscription for the use of Tyto Software. An initial subscription liability was recorded in the amount of $85,680 As of 06/30/2023, the value of the subscription liability is $0.00. Macon County is required to make annual fixed payments of $85,680. The subscription has an interest rate of 3.1440%. The value of the right to use asset as of 06/30/2023 is $86,430 with accumulated amortization of $30,131.

On 07/01/2022, Macon County entered into a 68-month subscription for the use of Public Health Billing Software. An initial subscription liability was recorded in the amount of $185,512. As of 06/30/2023, the value of the subscription liability is $149,002. Macon County is required to make annual variable principal and interest payments of $18,084 based on a CPI index of 3.00%. Additionally, there are annual other reasonably certain payments of $21,000. The subscription has an interest rate of 2.5200%. The value of the right to use asset as of 06/30/2023 is $185,512 with accumulated amortization of $32,770. Macon County, NC has 1 extension option(s), each for 84 months.

On 03/01/2023, Macon County entered into a 24-month subscription for the use of DebtBook. An initial subscription liability was recorded in the amount of $25,657. As of 06/30/2023, the value of the subscription liability is $12,657. Macon County is required to make annual fixed payments of $13,000. The subscription has an interest rate of 2.7070%. The value of the right to use asset as of 06/30/2023 is $27,657 with accumulated amortization of $4,610. Macon County, NC had a termination period of 1 month as of the subscription commencement.

On 07/01/2022, Macon County entered into a 19-month subscription for the use of TeamViewer Corporate. An initial subscription liability was recorded in the amount of $3,087. As of 06/30/2023, the value of the subscription liability is $0.00. Macon County is required to make annual fixed payments of $3,124. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of 06/30/2023 is $3,087 with accumulated amortization of $1,947.

On 07/01/2022, Macon County entered into a 21-month subscription for the use of Standalone ZixMail License. An initial subscription liability was recorded in the amount of $7,005. As of 06/30/2023, the value of the subscription liability is $0.00. Macon County is required to make annual fixed payments of $7,140. The subscription has an interest rate of 2.5600%. The value of the right to use asset as of 06/30/2023 is $7,005 with accumulated amortization of $3,996.

On 07/01/2022, Macon County entered into a 36-month subscription for the use of Transportation Software. An initial subscription liability was recorded in the amount of $35,449. As of 06/30/2023, the value of the subscription liability is $23,781. Macon County is required to make annual fixed payments of $11,667. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 is $35,449 with accumulated amortization of $11,816.

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

Year Ending June 30	Principal	Interest
2024	$ 96,615	$ 6,584
2025	86,507	4,114
2026	37,702	1,924
2027	38,655	974
Total	$ 259,479	$ 13,596

Installment Purchase Contract

Serviced by Governmental Funds:

$1,800,000 Nantahala School qualified zone academy bonds requiring 30 semi-annual deposits of $60,000, plus interest into a Debt Service Fund; final payment of the bonds is December 18, 2024.	$ 240,000
$12,889,667 Iotla Valley School project qualified school construction bonds requiring 34 semi-annual deposits of $379,108, plus interest into a Debt Service Fund; final payment of the bonds is October 12, 2028.	3,411,972
$2,985,878 Highlands School and Union Academy qualified zone academy bonds requiring 15 annual payments of $199,058; final payment of the bonds is August 1, 2030.	1,592,472
Total installment contracts	$ 5,244,444

The County's outstanding note from direct placement related to governmental activities of $240,000 is secured by a deed of trust on Nantahala School. The note contains provisions that upon the continuation of any event of default, BB&T may, without any further demand or notice, exercise any one or more of the following remedies: 1) declare the unpaid principal components of the installment payments immediately due and payable; 2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the agreement or to recover for the breach thereof; 3) as provided in the project fund agreement, pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner BB&T may reasonably deem appropriate; 4) avail itself of all available remedies under the agreement, including execution and foreclosure, and recovery of attorneys' fees and other expenses.

The County's outstanding note from direct placement related to governmental activities of $3,411,972 is secured by a deed of trust on Iotla Valley Elementary School. The note contains provisions that upon the continuation of any event of default, BB&T may, without any further demand or notice, exercise any one or more of the following remedies: 1) declare the unpaid principal components of the installment payments immediately due and payable; 2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the agreement or to recover for the breach thereof; 3) as provided in the project fund agreement, pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner BB&T may reasonably deem appropriate; 4) avail itself of all available remedies under the agreement, including execution and foreclosure, and recovery of attorneys' fees and other expenses.

The County's outstanding note from direct placement related to governmental activities of $1,592,472 is secured by a deed of trust on Highlands School. The note contains provisions that upon the continuation of any event of default, BB&T may, without any further demand or notice, exercise any one or more of the following remedies: 1) declare the unpaid principal components of the installment payments immediately due and payable; 2) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the agreement or to recover for the breach thereof; 3) as provided in the project fund agreement, pay over any balance remaining in the project fund to be applied against outstanding required payments in any manner BB&T may reasonably deem appropriate; 4) avail itself of all available remedies under the agreement, including execution and foreclosure, and recovery of reasonable attorneys' fees and other expenses.

Debt Service Requirements

The following tables summarize the annual requirements to amortize all direct placement long-term debt outstanding (excluding vacation pay and pension benefit obligation) as of June 30, 2023:

Year Ending June 30	Principal	Interest
2024	$ 1,077,274	$ 243,209
2025	1,077,274	190,666
2026	957,274	141,180
2027	957,274	93,659
2028	578,166	52,033
2029-2031	597,182	10,407
Total	$ 5,244,444	$ 731,154

At June 30, 2023, the County had a legal debt margin of approximately $657,207,000.

Limited Obligation Indebtedness

The County's limited obligation bonds, Series 2021 is serviced by the Debt Service Fund. They are collateralized by the full faith credit and taxing power of the County. Approximately 42% of the limited obligation bonds, Series 2021 were issued to provide funds for the acquisition and construction of the Macon Middle School project. These bonds, which are recorded in the Consolidated Capital Project Fund, are collateralized by the full faith credit and taxing power of the fund. The remaining 58% of the limited obligation bonds, Series 2021 were issued for the refunding of 2011 NCDEQ drinking water loan, the refunding of 2012 Truist installment purchase contract, the refunding of 2013 Truist installment purchase contract, and the refunding of 2018 First Citizens installment purchase contract. These bonds, which are recorded in the Debt Service Fund, are collateralized by full faith credit and taxing power of the County. Principal and interest payments are appropriated when due.

The County's limited obligation bonds payable at June 30, 2023 are comprised of the following individual issues:

Serviced by Governmental Funds:		
$6,775,000 Series 2021 limited obligation bonds, due in annual principal payments ranging from $210,000 to 495,000. Payment is due semi-annually on October 1st and April 1st at an interest rate ranging from 3.00 to 4.00%. Refunding of 2012 Truist installment purchase contract and 2013 Truist installment purchase contract.	$	5,005,000
$895,000 Series 2021 limited obligation bonds, due in annual principal payments ranging from $85,000 to $95,000. Payment is due semi-annually on October 1st and April 1st at an interest rate ranging from 3.00 to 4.00%. Refunding of 2011 NCDEQ Drinking Water loan.		725,000
$2,150,000 Series 2021 limited obligation bonds, due in annual principal payments ranging from $75,000 to $175,000. Payment is due semi-annually on October 1st and April 1st at an interest rate ranging from 3.00 to 4.00%. Refunding of 2018 First Citizens installment purchase contract.		1,805,000
$9,500,000 Series 2021 limited obligation bonds, due in annual principal payments of $500,000. Payment is due semi-annually on October 1st and April 1st at an interest rate ranging from 2.125% to 4.000%.		9,000,000
Total limited obligation bonds	$	16,535,000

Annual debt service requirements to maturity for the County's limited obligation indebtedness are as follows:

Governmental Activities:

Year Ending June 30	Principal	Interest
2024	$ 1,650,000	$ 589,525
2025	1,665,000	523,525
2026	1,670,000	456,925
2027	1,680,000	390,125
2028	1,695,000	322,925
2029-2033	4,100,000	901,025
2034-2038	2,575,000	343,500
2039-2043	1,500,000	67,500
Total	$ 16,535,000	$ 3,595,050

Debt Related to Capital Activities

Of the total governmental activities' debt listed, only $850,951 relates to assets the County holds title and $478,573 relates to right-to-use assets. The unspent debt proceeds of $35,660 are not related to the County. The business-type activities unspent debt proceeds of $654,051 are related to assets for which the County holds title.

Special Obligation Bonds

On April 7, 2016, the County issued $9,800,000 of special obligation bonds at 2.14% interest, for the purpose to expand the County's landfill capacity. The bond is secured by a first lien on net revenues of the Solid Waste Fund. The principal and interest on the bonds are payable semi-annually on April 1 and October 1. The special obligation bonds, which mature through April 1, 2026, will be reported on the Solid Waste Fund's financial statements.	$ 3,162,552

The County's outstanding special obligation bond from direct placement related to business-type activities of $3,162,552 is not secured by a pledge of the faith and credit of the County nor its taxing power, but is payable solely from the obligated revenues, except to the extent payable from the proceeds of bonds or investment earnings on such proceeds or on the obligated revenues. The note contains provisions that during the continuation of any event of default, the bondholders may, without any further demand or notice, exercise any one or more of the following remedies: 1) declare the unpaid principal of the bonds, and the accrued interest thereon, immediately due and payable; 2) incur and pay such reasonable expenses for the County's account as may be necessary to cure the cause of any default (with the County then being obligated to repay those amounts); 3) proceed by appropriate court action to protect and enforce their rights under the bonds and the agreement, or any supplemental agreement or proceeding, by an action at law or in equity, either for the specific performance of any covenant or agreement, or execution of any power, or to have or enforce any proper legal or equitable remedy as may be most effectual to protect and enforce such rights, including the fixing of service charges and the collection and application of the obligated revenues.

Special obligation bonds direct placements debt service requirements to maturity are as follows:

Solid Waste Fund:

Special Obligation Bonds

Year Ending June 30	Principal	Interest
2024	$ 1,031,903	$ 63,225
2025	1,054,572	40,557
2026	1,076,077	17,551
Total	$ 3,162,552	$ 121,333

Long-Term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental Activities:					
Limited obligation bonds	$ 18,190,000	$ -	$ 1,655,000	$ 16,535,000	$ 1,650,000
Plus: Premium on issuance	2,230,653	-	119,068	2,111,585	119,068
Total limitied obligation bonds	20,420,653	-	1,774,068	18,646,585	1,769,068
Direct placement installment purchases	7,114,004	-	1,869,560	5,244,444	1,077,274
Lease liabilities	82,522	193,331	56,759	219,094	53,386
Subscription liabilities	-	454,928	195,449	259,479	96,615
Compensated absences	1,242,373	1,052,953	1,012,830	1,282,496	128,250
Total OPEB liability	37,009,601	-	6,802,722	30,206,879	-
Net pension liability (LGERS)	3,281,956	8,484,143	-	11,766,099	-
Total pension liability (LEOSSA)	1,913,012	-	203,941	1,709,071	-
Total governmental activities	$ 71,064,121	$ 10,185,355	$ 11,915,329	$ 69,334,147	$ 3,124,593
Business-Type Activities:					
Direct placement special obligation bonds	$ 4,172,609	$ -	$ 1,010,057	$ 3,162,552	$ 1,031,903
Lease liabilities	4,115	-	4,115	-	-
Accrued landfill closure and post-closure care cost	9,275,903	4,549,353	24,606	13,800,650	35,427
Total OPEB liability	1,997,480	-	465,144	1,532,336	-
Net pension liability (LGERS)	168,942	541,541	-	710,483	-
Compensated absences	85,592	70,526	64,907	91,211	9,121
Total business-type activities	$ 15,704,641	$ 5,161,420	$ 1,568,829	$ 19,297,232	$ 1,076,451

Compensated absences, pension liabilities, and other post-employment benefits for governmental activities typically have been liquidated in the General Fund and are accounted for on an FIFO basis.

Advance Refunding

On March 8, 2021, the County issued $9,820,000 limited obligation bonds, Series 2021 to refund the 2011 NCDEQ drinking water loan, 2012 Truist installment purchase contract, 2013 Truist installment purchase contract, and 2018 First Citizens installment purchase contract. As a result, the refunded debt is considered defeased and the liability has been removed from the governmental activities column of the Statement of Net Position. The net proceeds of $11,003,808 were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The Series 2021 limited obligation bonds, with payment dates of October 1 and April 1, will mature April 1, 2034. The refunding was undertaken to reduce the total debt service payments by $704,218 and resulted in an economic gain of $709,992.

C. Net Investment in Capital Assets

Net investment in capital assets at June 30, 2023 is computed as follows:

	Governmental Activities	Business-Type Activities
Capital assets & right to use assets	$ 24,367,106	$ 10,019,075
Less capital debt:		
Gross debt	24,369,602	3,162,552
Less school debt related to assets to which the County does not hold title	(23,040,078)	-
County related debt	1,329,524	3,162,552
Less unspent debt proceeds*	-	(654,043)
Total net debt	1,329,524	2,508,509
Net investment in capital assets	$ 23,037,582	$ 7,510,566

*Unexpended debt proceeds related to education debt in the amount of $35,660 are not included in the calculation of governmental net investment in capital assets.

D. Interfund Balances and Activity

	Transfers From	Transfers To	Purpose
Transfers From/To Other Funds:			
General Fund:			
General Fund	$ 3,043,948	$ -	
Debt Service Fund	-	1,266,351	Debt retirement
ARPA Fund	1,875,659	-	Fund premium pay
Nonmajor Governmental Funds:			
Housing Grants Fund	-	154,175	Salary/fringe & operating costs
Housing Grants Fund	-	24,847	Premium pay - ARPA
Solid Waste	-	158,334	Premium pay - ARPA
General Fund		1,692,478	Premium pay - ARPA
General Fund		295,000	Economic development
Health Insurance Fund	-	61,756	Excess claims
Consolidated Capital Projects Fund	-	1,561,666	Fund capital projects
Schools Capital Fund	3,174,602	-	Debt retirement
Debt Service Fund	-	3,174,602	Debt retirement
Capital Reserve Fund	295,000	-	
Total	$ 8,389,209	$ 8,389,209	

3. Joint Venture

Fontana Regional Library

The County participates in a joint venture to operate the Fontana Regional Library (Library) with five other local governments. Each participating county may appoint three Board members to the nine-member Board of the Library. The County has an ongoing financial responsibility for the joint venture because the Library's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Library, so no equity interest has been reflected in the financial statements at June 30, 2023. In accordance with the intergovernmental agreement between the participating governments, the County appropriated $1,101,860 to the Library to supplement its activities. Complete financial statements for the Library may be obtained from the Library's offices at 33 Fryemont Street, Bryson City, North Carolina 28713.

Vaya Health

The County participates in a joint venture to operate the Vaya Health Local Management Entity (LME), which provides mental health, development disability, and substance abuse services to residents of the 22-county area: Alexander, Alleghany, Ashe, Avery, Buncombe, Caldwell, Cherokee, Clay, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Swain, Transylvania, Watauga, Wilkes, and Yancey. The County Commissioners are responsible for appointing two members of the Board of Directors of Vaya Health. The County has an ongoing financial responsibility for the joint venture because the LME's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the LME, so no equity interest has been reflected in the financial statements. In accordance with the intergovernmental agreement between the participating governments, the County contributed $106,623 to the LME to supplement its activities during the fiscal year ended June 30, 2023. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Suite 206, Asheville, NC 28806.

4. Jointly Governed Organizations

Southwestern North Carolina Planning and Economic Development Commission

The County, in conjunction with seven other counties and 16 municipalities, established the Southwestern North Carolina Planning and Economic Development Commission (Commission). The participating governments established the Commission to coordinate funding received from various federal and state agencies. Each participating government appoints one member to the Commission's 23-member governing Board.

Southwestern Community College

The County, in conjunction with the state of North Carolina, one other county, and two Boards of Education, participates in a joint venture to operate Southwestern Community College (Community College). The County appoints two members; the state, the other County, and the Boards of Education appoint 11 members of the 13-member Board of Trustees of the Community College.

The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed $289,177 to the Community College for operating and capital purposes during the fiscal year ended June 30, 2023. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2023. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at 275 Webster Road, Franklin, North Carolina 28779.

5. Related Organizations

Macon County Airport Authority is a Component Unit of Macon County. Therefore Macon County Airport Authority and Macon County are related parties. For the year ended June 30, 2023, the Authority received $33,650 in appropriation and $871,855 in capital contributions from the County.

6. Summary Disclosure of Significant Commitments and Contingencies

Federal and State-Assisted Programs

The County has received proceeds from federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the 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.

7. Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmerisourceBergen, and Cardinal Health, finalized a $26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded.

North Carolina's Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the state ("State Abatement Fund")
- 80% to abatement funds established by Local Governments ("Local Abatement Funds")
- 5% to County Incentive Fund

As of June 30, 2023 the County has received $389,749 as part of this settlement in fiscal year 2023. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending the funds. The County has not selected an option yet.

8. Reimbursement for Pandemic-Related Expenditures

In fiscal year 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. The County was allocated $6,964,996 of fiscal recovery funds to be paid in two equal installments. The first installment of $3,482,498 was received in July 2021. The Second installment of $3,482,498 was received in August 2022. County staff and the Board of Commissioners elected to use $6,964,996 of the ARPA funds for revenue replacement in the 2022 fiscal year and these funds were transferred to the General Fund, Housing Grants Fund, and Solid Waste Fund for premium pay in the 2022 fiscal year. The County used $1,841,923 and $1,850,659 of the ARPA funds for premium pay in the 2022 and 2023 fiscal years, respectively and $25,000 for a GREAT grant match in the 2023 fiscal year. Out of the remaining funds of $3,247,414, $175,000 has been allocated for the GREAT grant match and the remaining $3,072,414 is unallocated.

9. Restatement

For the year ended June 30, 2023, the financial statements included a prior period adjustment to beginning net position of the governmental activities on the Statement of Activities (full accrual statements) in the amount of $2,312,455. The adjustment relates to new information on how to account for Opioid Settlement Fund receivable and allowance recognition.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally accepted accounting principles.

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedules of Changes in the Total OPEB Liability and Related Ratios – Other Post-Employment Benefits
- Schedule of Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees' Retirement System
- Schedule of County's Contributions – Local Governmental Employees' Retirement System
- Schedule of Proportionate Share of the Net Pension Liability (Asset) – Register of Deeds' Supplemental Pension Fund
- Schedule of County's Contributions – Register of Deeds' Supplemental Pension Fund

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS

	2023	2022	2021	2020
Beginning balance as reported	$ 1,913,012	$ 1,928,606	$ 1,153,313	$ 1,113,115
Service cost	111,288	116,852	69,819	56,634
Interest on the total pension liability	42,658	36,969	37,161	39,886
Difference between expected and actual experience in the measurement of the total pension liability	(1,073)	(87,864)	82,875	(59,281)
Changes in assumptions or other inputs	(322,621)	(55,274)	612,250	37,659
Benefit payments	(34,193)	(26,277)	(26,812)	(34,700)
Ending balance of the total pension liability	$ 1,709,071	$ 1,913,012	$ 1,928,606	$ 1,153,313

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This statement will present ten years of data as information becomes available.

MACON COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS

	2019	2018	2017
Beginning balance as reported	$ 1,107,728	$ 1,044,146	$ 1,010,346
Service cost	63,937	55,368	60,876
Interest on the total pension liability	34,445	39,537	35,480
Difference between expected and actual experience in the measurement of the total pension liability	(6,940)	(73,031)	-
Changes in assumptions or other inputs	(50,680)	81,463	(29,536)
Benefit payments	(35,375)	(39,755)	(33,020)
Ending balance of the total pension liability	$ 1,113,115	$ 1,107,728	$ 1,044,146

MACON COUNTY, NORTH CAROLINA

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

	2023	2022	2021	2020
Total pension liability	$ 1,709,071	$ 1,913,012	$ 1,928,606	$ 1,153,313
Covered-employee payroll*	2,828,788	2,677,580	2,720,056	2,423,278
Total pension liability as a percentage of covered-employee payroll	60.4%	71.4%	70.9%	47.6%

Notes to Schedule:

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

This schedule will present ten years of data as information becomes available.

*Valuation payroll

MACON COUNTY, NORTH CAROLINA

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

	2019	2018	2017
Total pension liability	$ 1,113,115	$ 1,107,728	$ 1,044,146
Covered-employee payroll*	2,506,335	2,429,891	2,333,739
Total pension liability as a percentage of covered-employee payroll	44.4%	45.6%	44.7%

MACON COUNTY, 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	$ 1,439,358	$ 3,672,188	$ 2,236,587
Interest	864,736	2,079,949	2,339,212
Differences between expected and actual experience	195,744	(59,014,540)	(228,050)
Changes of assumptions or other inputs	(8,938,568)	2,131,943	22,166,655
Benefit payments	(829,136)	(607,908)	(727,731)
Net change in total OPEB liability	(7,267,866)	(51,738,368)	25,786,673
Total OPEB liability - beginning	39,007,081	90,745,449	64,958,776
Total OPEB liability - ending	$ 31,739,215	$ 39,007,081	$ 90,745,449
Covered-employee payroll	$ 15,520,496	$ 15,520,496	$ 15,407,009
Total OPEB liability as a percentage of covered-employee payroll	204.50%	251.33%	588.99%

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

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

There are no assets accumulated in a trust that meets the criteria for GASB codification P22.101 or P52.101 to pay related benefits for the OPEB/pension fund.

MACON COUNTY, 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			
	2020	**2019**	**2018**
Service cost	$ 1,885,908	$ 2,036,577	$ 2,375,420
Interest	1,891,355	1,742,381	1,563,194
Differences between expected and actual experience	13,771,079	362,835	408,280
Changes of assumptions or other inputs	(771,846)	(3,588,209)	(6,447,964)
Benefit payments	(869,036)	(883,376)	(895,699)
Net change in total OPEB liability	15,907,460	(329,792)	(2,996,769)
Total OPEB liability - beginning	49,051,316	49,381,108	52,377,877
Total OPEB liability - ending	$ 64,958,776	$ 49,051,316	$ 49,381,108
Covered-employee payroll	$ 15,407,009	$ 15,451,187	$ 15,451,187
Total OPEB liability as a percentage of covered-employee payroll	421.62%	317.46%	319.59%

MACON COUNTY, NORTH CAROLINA

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019
Proportion of the net pension liability (asset) (%)	0.221%	0.225%	0.239%	0.245%	0.263%
Proportion of the net pension liability (asset) ($)	$ 12,476,582	$ 3,450,898	$ 8,536,557	$ 6,679,835	$ 6,227,872
Covered payroll	$ 19,034,317	$ 16,994,860	$ 17,029,367	$ 16,777,581	$ 16,784,623
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	65.55%	20.31%	50.13%	39.81%	37.10%
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 ended June 30.

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

MACON COUNTY, NORTH CAROLINA

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	0.262%	0.266%	0.246%	-0.242%	0.237%
Proportion of the net pension liability (asset) ($)	$ 4,014,856	$ 5,643,925	$ 1,102,597	$ (1,428,012)	$ 2,855,555
Covered payroll	$ 16,631,172	$ 15,171,727	$ 14,608,630	$ 14,448,030	$ 13,707,426
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.14%	37.20%	7.55%	-9.88%	20.83%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

MACON COUNTY, NORTH CAROLINA

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MACON COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019
Contractually required contribution	$ 2,575,654	$ 2,176,776	$ 1,739,355	$ 1,546,837	$ 1,312,991
Contributions in relation to the contractually required contribution	2,575,654	2,176,776	1,739,355	1,546,837	1,312,991
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 21,108,481	$ 19,034,317	$ 16,994,860	$ 17,029,367	$ 16,777,581
Contributions as a percentage of covered payroll	12.20%	11.44%	10.23%	9.08%	7.83%

MACON COUNTY, NORTH CAROLINA

LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
MACON COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ 1,280,658	$ 1,229,365	$ 1,028,062	$ 1,040,335	$ 1,026,095
Contributions in relation to the contractually required contribution	1,280,658	1,229,365	1,028,062	1,040,335	1,026,095
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 16,784,623	$ 16,631,172	$ 15,171,727	$ 14,608,630	$ 14,448,030
Contributions as a percentage of covered payroll	7.63%	7.39%	6.78%	7.12%	7.10%

MACON COUNTY, NORTH CAROLINA

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019
Proportion of the net pension liability (asset) (%)	-0.379%	-0.429%	-0.391%	-0.337%	-0.436%
Proportion of the net pension liability (asset) ($)	$ (50,123)	$ (82,366)	$ (89,515)	$ (66,517)	$ (72,138)
Plan fiduciary net position as a percentage of the total pension liability**	139.04%	156.53%	173.62%	164.11%	153.31%

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

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

MACON COUNTY, NORTH CAROLINA

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset) (%)	-0.426%	-0.430%	-0.424%	-0.387%	-0.438%
Proportion of the net pension liability (asset) ($)	$ (72,709)	$ (80,342)	$ (98,269)	$ (87,744)	$ (93,555)
Plan fiduciary net position as a percentage of the total pension liability**	153.77%	160.17%	197.29%	193.88%	190.50%

MACON COUNTY, NORTH CAROLINA

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
MACON COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019
Contractually required contribution	$ 3,650	$ 4,340	$ 4,823	$ 3,740	$ 3,524
Contributions in relation to the contractually required contribution	3,650	4,340	4,823	3,740	3,524
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -

MACON COUNTY, NORTH CAROLINA

REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
MACON COUNTY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
Contractually required contribution	$ 3,727	$ 3,701	$ 3,511	$ 3,393	$ 3,161
Contributions in relation to the contractually required contribution	3,727	3,701	3,511	3,393	3,161
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of some of the provisions of the 2024 Bonds, the Trust Agreement and the Deed of Trust (together, the "Documents"). This summary is not intended to be complete or definitive, and it is qualified in its entirety by reference to the complete Documents. See the section of the Official Statement entitled "**INTRODUCTION -- Additional Information**" for information on obtaining copies of the Documents.

A list of some of the definitions used in the Documents and these summaries is set out at the end of this Appendix.

THE TRUST AGREEMENT

The Trust Agreement generally provides for the issuance of, and security for, the 2024 Bonds, as well as for the County's repayment obligations and its obligations to care for the Mortgaged Property.

Form, Payment, Redemption and Exchange of Bonds

The Trust Agreement provides for the form of the 2024 Bonds, and for the payment, redemption and exchange of the 2024 Bonds as described in the section of the Official Statement entitled "**THE 2024 BONDS.**"

Additional Bonds

The County may issue Additional Bonds under the conditions and limitations set out in the Trust Agreement to provide funds (a) to expand or improve the Pledged Facilities, (b) to construct further improvements to the Pledged Sites, (c) to refund any Outstanding Bonds, (d) to pay financing costs or establish reserves in connection with the issuance of Additional Bonds, (e) for any other purpose that may be allowed by law from time to time, including the acquisition and construction of additional public facilities, whether or not any additional facility is related to the Pledged Facilities or the Pledged Sites, or (f) for any combination of these purposes.

Any Additional Bonds so issued may be secured by a lien on the Mortgaged Property ranking equally with the lien on that property securing the 2024 Bonds.

Funds and Accounts

The Trust Agreement provides for the creation and the Trustee's custody of several different funds and accounts.

Project Fund. The Trustee will deposit into the "Macon County 2024 Project Fund" created under the Trust Agreement (1) the net proceeds from the sale of the 2024 Bonds and (2) all other amounts specified under the Trust Agreement for deposit in that Fund.

The Trustee will disburse moneys in the Project Fund from time to time, either to pay Project Costs directly or to reimburse the County for previous expenditures for Project Costs, upon receipt by the Trustee of a requisition substantially in the form provided for under the Trust Agreement. The Trustee will not disburse any moneys from the Project Fund during the continuation of any Event of Default unless otherwise directed by the Majority Owners.

When the County determines there are no more Project Costs to be paid from the Project Fund, the County will send a County Certificate to that effect to the Trustee. The Trustee will then withdraw all remaining moneys in the Project Fund and deposit those moneys in a separate account within the Payment Fund. The Trustee will then apply those moneys to Bond payments as directed by a County Representative. In the absence of any direction from the County, the Trustee will deposit those moneys in the Interest Account and use them to pay interest on the 2024 Bonds as the same becomes due.

Payment Fund. The Trust Agreement establishes a Bond Payment Fund, and therein an Interest Account, a Principal Account and a Redemption Account. The Trustee will hold in this Fund (in the appropriate account, as determined under the Trust Agreement) amounts paid to it for use in making payments and redemptions on the Bonds.

Net Proceeds Fund. The Trust Agreement establishes a Net Proceeds Fund. The Trustee will hold Net Proceeds in this Fund that are paid to it pending the use of those Net Proceeds for repair or restoration of the Pledged Facilities or the redemption of Bonds, as provided for in the Trust Agreement.

Security Provisions

County Payments. The County agrees to pay (a) the Bond Payments set forth in the Trust Agreement (which are designed to be due at times and in amounts sufficient to pay all principal of and interest on the 2024 Bonds and all other Bonds), and (b) all the Additional Payments, in each case except as otherwise provided for in the Trust Agreement.

The County must make its Bond Payments on the 25th day of the month before the corresponding Payment Date. The County receives a credit against future Bond Payments for any earnings made from the temporary investment of Bond Payment amounts between the County's payment dates and the corresponding Payment Dates.

No Abatement of Payments. The County is not entitled to any abatement or reduction of the Bond Payments or Additional Payments for any reason, including, but not limited to, any claim arising out of or related to the Pledged Sites or the Pledged Facilities. The County assumes and bears the entire risk of loss and damage to the Pledged Sites and the Pledged Facilities from any cause whatsoever.

Deed of Trust. The County will execute and deliver the Deed of Trust. The Deed of Trust secures the County's obligations to each of the Owners, on parity with one another, through a security interest in the Mortgaged Property and the Fixtures.

Appropriation of Payments. The County will cause the officer who prepares the draft County budget initially submitted for County Board consideration to include in the initial proposal each year the amount of all Bond Payments and estimated Additional Payments coming due during the Fiscal Year to which the budget applies. Notwithstanding that the initial proposed budget includes an appropriation for these payments, the County Board may determine not to include the appropriation (in whole or in part) in the final County budget for any Fiscal Year, or may amend an adopted budget to reduce or delete an approved appropriation.

If the County fails to adopt its annual budget in a timely manner, if the County adopts a budget that does not include a full appropriation for Bond Payments and estimated Additional Payments, or if the County amends the annual budget to reduce the amounts appropriated for Bond Payments and Additional Payments below the amounts expected to be required for the remainder of that Fiscal Year, then the County must notify the Trustee and the LGC. The County must also post a copy of any notice sent to the LGC in this regard on the MSRB's "EMMA" continuing disclosure system.

Money in funds and accounts. The County grants a security interest, to the Trustee for the benefit of the Owners, in all the funds and accounts held under the Trust Agreement to secure the County's obligations under the Bonds and otherwise under the Trust Agreement. This security interest secures the County's obligations to each of the Owners, on parity with one another.

County's Limited Obligation. The Bonds are payable solely from the amounts paid by the County to the Trustee for the Bond Payments, as, when and if received by the Trustee, except to the extent payable from the proceeds of the Bonds, income from investments, Net Proceeds and other funds and property pledged as provided in the Trust Agreement, which funds are pledged as provided in the Trust Agreement to secure payment of the Bonds.

Notwithstanding any other provision of the Trust Agreement, the parties intend that the transaction comply with North Carolina General Statutes Section 160A-20. No deficiency judgment may be entered against the County in violation of that Section 160A-20.

No provision of the Trust Agreement is to be interpreted as creating a pledge of the County's faith and credit within the meaning of any constitutional debt limitation. No provision of the Trust Agreement is to be construed or interpreted as an illegal delegation of governmental powers or as an improper donation or lending of the County's credit within the meaning of the North Carolina constitution. The County's taxing power is not and may not be pledged, directly or indirectly or contingently, to secure any moneys due under the Trust Agreement.

No provision of the Trust Agreement is to be interpreted as pledging or creating a lien on any class or source of the County's moneys (other than the Net Proceeds and the funds and accounts established pursuant to the Trust Agreement as is provided in the Trust Agreement). No provision of the Trust Agreement restricts the County's future issuance of any of its bonds or other obligations payable from any class or source of the County's moneys, except to the extent the Documents restrict the incurrence of additional obligations secured by the Mortgaged Property.

Care, Use, Maintenance and Other
Provisions Related to the Pledged Facilities

County's Responsibilities for the Pledged Facilities. The County must contract for the Project in accordance with the bidding, bonding, insurance and other requirements of State law. The County must use the Pledged Sites and the Pledged Facilities in a careful and proper manner and keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended. The County must pay all charges for utility services furnished to or used on or in connection with the Pledged Sites and the Pledged Facilities. The County bears all risk of loss to and condemnation of the Pledged Sites and the Pledged Facilities. The County is to be solely responsible for the operation of the Pledged Facilities and is not to contract with any other person or entity for the operation of the Pledged Facilities.

School Board's Role. The Trust Agreement recognizes that the County intends to lease the Pledged Facilities to the School Board, or may otherwise provide for the School Board's use and operation of the Pledged Facilities. In addition, the County and the School Board may agree that the School Board will assume some of the County's responsibilities under the Trust Agreement, including obligations with respect to entering into and monitoring construction contracts related to the Pledged Facilities and maintaining primary casualty insurance on the Pledged Facilities. The Trust Agreement provides that any such lease or other arrangements between the County and the School Board does not violate any provision of the Trust Agreement, but no such lease or other arrangement in any way reduces the County's obligations with respect to the Pledged Facilities under the Trust Agreement.

Repairs and Additions. The County has the right to repair, maintain and remodel the Pledged Facilities or make substitutions, additions, modifications and improvements to the Pledged Facilities, at its own cost and expense. The County may also, from time to time in its sole discretion and at its own expense, install machinery, equipment and other tangible property in or on the Pledged Facilities. The County's rights in each of these cases are subject to limitations imposed under the Trust Agreement.

Property Damage Insurance. From and after the substantial completion of the Pledged Facilities, the County must, at its own expense, acquire, carry and maintain broad-form extended coverage property damage insurance with respect to the Pledged Facilities in an amount equal to the estimated replacement cost. This property damage insurance must include standard mortgagee coverage in favor of the Trustee. The Trust Agreement contains provisions allowing the County the option to provide the required insurance by one or more blanket or umbrella insurance policies or by means of an adequate self-insurance fund or risk-retention program, or by participation in a group risk pool or similar program.

Title. Title to the Pledged Sites and the Pledged Facilities and any and all additions, repairs, replacements or modifications thereto will at all times be in the County, subject to the lien of the Deed of Trust and to the Permitted Encumbrances.

Taxes and Encumbrances. The County must pay, as Additional Payments, all taxes, assessments and governmental charges levied or assessed against the Mortgaged Property. The County must not permit any mechanic's or other lien to be perfected or remain against the Mortgaged Property, or any portion of the Mortgaged Property. The Trust Agreement includes certain exceptions to these requirements, especially with respect to the County's right to contest any taxes or liens and to make payments in installments as allowed by law.

Damage, Destruction and
Condemnation; Use of Net Proceeds

Damage, Destruction or Condemnation. The County will promptly notify the Trustee if (a) the Mortgaged Property or any portion thereof is destroyed or damaged by fire or other casualty, (b) any governmental authority takes, or notifies the County of any intent to take, title to, or the temporary or permanent use of the Mortgaged Property or any portion thereof, or the estate of the County or the Trustee in the Mortgaged Property, or any portion thereof, under the power of eminent domain, (c) a material defect in the construction of the Pledged Facilities becomes apparent, or (d) title to or the use of all or any portion of the Mortgaged Property is lost by reason of a defect in title. Each notice must describe generally the nature and extent of the damage, destruction or taking.

The County must file its claims under insurance coverages and claims for awards or payments in the nature of condemnation awards resulting from any damage, destruction or taking. The County must prosecute all claims for awards or payments in good faith and with due diligence. Any Net Proceeds received by the County as a result of these claims must be used as described below and as provided in the Trust Agreement.

Deposit and Use of Net Proceeds.

If the amount of Net Proceeds received by the County from any single event or any single series of related events is less than $1,000,000, then the County has no obligation to account to the Trustee or any other person or entity with respect to the use of the Net Proceeds.

If the amount of Net Proceeds received by the County from any single event or any single series of related events is at least $1,000,000, the County must cause the Net Proceeds to be paid to the Trustee for deposit and application as provided in the Trust Agreement.

Use of Net Proceeds Deposited with Trustee. The County may elect to use Net Proceeds deposited with the Trustee, and other funds provided by the County, to redeem or defease the 2024 Bonds, in whole but not in part, pursuant to the Trust Agreement. The County may also elect to use Net Proceeds to provide for the optional redemption of the Bonds as provided in the Trust Agreement.

Nothing in the Trust Agreement, however, creates an option in the County or any other party to provide for the early payment of Bonds other than pursuant to the regular optional and the stated mandatory sinking fund redemption provisions; there are no redemption provisions triggered by any casualty or other event giving rise to Net Proceeds.

The County may also elect to use Net Proceeds deposited with the Trustee to repair or restore that portion of the Pledged Facilities with respect to which the Net Proceeds relate. The County must act with due diligence and in a commercially reasonable manner to provide for the repair and restoration.

In the case of Net Proceeds used to repair or restore the Mortgaged Property, the County will not be entitled to any reimbursement of any funds so paid, nor will the County be entitled to any postponement or diminution of its obligation to make Bond Payments as a result of any such contribution. Any repair or replacement paid for in whole or in part out of such Net Proceeds will be the County's property and will be part of the Mortgaged Property.

Tax Covenants

The County covenants that it will not take or permit, or omit to take or cause to be taken, any action that would cause the 2024 Bonds to be "arbitrage bonds" or "private activity bonds" within the meaning of the Code. The County also covenants that if it should take or permit, or omit to take or cause to be taken, any such action, then the County will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly upon having knowledge of the effect of such actions.

Environmental Covenants

In the Trust Agreement, the County states as follows:

(a) The County has no knowledge (i) that any industrial use has been made of the Mortgaged Property, (ii) that the Mortgaged Property has been used for the storage, treatment or disposal of any "Hazardous Materials," as defined below, (iii) that any manufacturing, landfilling or chemical production has occurred on the Mortgaged Property, or (iv) that there is any asbestos or other contaminant on, in or under the Mortgaged Property; and

(b) To the County's knowledge, the Mortgaged Property complies with all federal, State and local environmental laws and regulations. The County will keep the Mortgaged Property, and the activities at the Mortgaged Property, in compliance with all environmental laws, rules, and regulations. The County will, in a timely manner, take all lawful action necessary to maintain compliance or to remedy any lack of compliance.

(c) The County will use and maintain Hazardous Materials on the Mortgaged Property only for the routine maintenance and operation of the Mortgaged Property. The County will maintain these Hazardous Materials only in appropriate quantities for these purposes and will use them only in substantial compliance with label instructions and all State and federal environmental laws, rules and regulations. The County will not use the Mortgaged Property (A) for the manufacture, transport, process, storage, treatment or disposal of Hazardous Materials, or (B) for any industrial, manufacturing or landfilling use or for any chemical production.

In the Trust Agreement, "Hazardous Materials" means any chemicals, materials, substances, wastes or other substances that are classified and regulated by any by federal, State or local laws as hazardous or toxic substances that exist on or affect the Mortgaged Property.

The Trustee

Rights and Duties. If an Event of Default is continuing, the Trustee must exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Otherwise, the Trustee need perform only those duties that are specifically set forth in the Trust Agreement and no other.

No provision of the Trust Agreement requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense, except that the Trustee may not require indemnity as a condition to declaring the principal and interest with respect to the Bonds to be due immediately as required in the Trust Agreement. No permissive right of the Trustee in the Trust Agreement should be construed as a duty.

The Trustee will not be liable with respect to any information contained in any offering documents (except to the extent of information about the Trustee provided by the Trustee specifically for inclusion in the offering document). The Trustee has no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under the Trust Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, it being understood that the Trustee shall in all cases use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

Eligibility. The County must maintain a Trustee for the Trust Agreement that is a corporation authorized to exercise corporate trust powers, has a combined capital and surplus of at least $100,000,000 as set forth in its most recent published annual report of condition, and otherwise meets the requirements set out in the Trust Agreement.

Resignation; Removal; Replacement. The Trustee may resign at any time by delivering notice of its resignation to the County at least 30 days prior to the effective date of the resignation. The County may remove the Trustee at any time by notifying the removed Trustee at least 30 days prior to the effective date of the removal, so long as no Event of Default is continuing at the time the County sends the notice. The Majority Owners may remove the Trustee at any time by notifying the County and the removed Trustee at least 30 days prior to the effective date of the removal, and may at the same time (or at any time during the 30-day notice period) appoint a new Trustee by notice to the County and the removed Trustee.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the County must promptly appoint a successor Trustee (except when that right is exercised by the Majority Owners as described in the preceding paragraph). If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the County or the Majority Owners may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Consent to Jurisdiction. The Trustee consents to jurisdiction in the State for any lawsuit arising from the Trust Agreement, or from the related transactions contemplated by the Trust Agreement.

Defaults and Remedies under Trust Agreement

Events of Default. An "Event of Default" under the Trust Agreement is any of the following:

(a) Default in the payment of the principal of any Bond when the same becomes due and payable, whether at the stated maturity of the Bond or upon proceedings for mandatory (but not optional) redemption.

(b) Default in the payment of any interest on any Bond when the same becomes due and payable.

(c) The occurrence of an Event of Nonappropriation.

(d) The County breaches or fails to perform or observe any term, condition or covenant of the Documents on its part to be observed or performed, other than as referred to in the preceding subsections, including payment of any Additional Payment, for a period of 90 days after written notice specifying the failure and requesting that it be remedied has been given to the County, unless the Trustee, being advised by counsel, agrees in writing to an extension of the 90-day period prior to its expiration; provided, however, that if the failure stated in the notice cannot reasonably be corrected within the applicable period and the County institutes corrective action within the applicable period, no Event of Default will be deemed to have occurred so long as the County diligently pursues remedial action.

(e) Any warranty, representation or statement made by the County in the Documents is found to be incorrect or misleading in any material respect as of the date on which the Trust Agreement is first executed and delivered by the parties and the 2024 Bonds are delivered to their initial purchaser.

(f) Any lien, charge or encumbrance (other than Permitted Encumbrances) prior to or affecting the validity of the Deed of Trust is found to exist, or proceedings are instituted to enforce any lien, charge or encumbrance against the Mortgaged Property and such lien, charge or encumbrance would be prior to the lien of the Deed of Trust.

Acceleration. If any Event of Default is continuing, then (a) the Trustee, by notice to the County, or (b) the Majority Owners, by notice to the County and the Trustee, may declare the principal of and accrued interest with respect to the Bonds to be due and payable immediately, and such principal and interest thereupon will become immediately due and payable. The Trustee must immediately give notice of any acceleration to all Owners. The Trustee may rescind an acceleration and its consequences if all existing Events of Default have been cured or waived, if the rescission would not conflict with any judgment or decree.

Other Remedies. If an Event of Default is continuing, the Trustee may pursue any remedy at law or in equity to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Documents, including by foreclosure on the Mortgaged Property pursuant to the Deed of Trust.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default does not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Waiver of Past Defaults. The Majority Owners, by notice to the Trustee, may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no waiver extends to any subsequent or other Event of Default or impair any right consequent to it.

Majority's Control. The Majority Owners, upon satisfactory indemnification of the Trustee, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that it reasonably believes conflicts with law or the Trust Agreement or, subject to the provisions of the Trust Agreement, that the Trustee determines is unduly prejudicial to the rights of other Owners or would involve the Trustee in personal liability.

Limitation on Suits. An Owner may not pursue any remedy with respect to the Trust Agreement or the Bonds (except as otherwise described in the following paragraph) unless (a) the Owner gives the Trustee notice stating that an Event of Default is continuing, (b) the Majority Owners make a written request to the Trustee to pursue the remedy, (c) that Owner or Owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity. An Owner may not use the Trust Agreement to prejudice the rights of another Owner or to obtain a preference or priority over the other Owners.

Rights To Receive Payment. The Trust Agreement preserves the right of any Owner to receive payment of principal, premium, if any, and interest with respect to a Bond, on or after the due dates expressed in the Bond, or to bring suit for the enforcement of any such payment on or after such dates. These rights of an Owner may not be impaired under the Trust Agreement without that Owner's consent.

Collection Suit by Trustee. If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the County for the whole amount remaining unpaid.

Trustee May File Proofs of Claim. The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable to have the claims of the Trustee and the Owners allowed in any judicial proceedings relative to the County, its creditors or its property. Unless prohibited by law or applicable regulations, the Trustee may vote on behalf of the Owners in any election of a trustee in bankruptcy or other person performing similar functions.

Priorities. If the Trustee collects any money pursuant to a collection or enforcement action, it must deposit that money in a special account in the Payment Fund and pay out that money in the following order:

(a) If the principal of all Bonds has not become or will not be declared due and payable, all those moneys in the Payment Fund will be applied as follows:

First, Costs and Expenses: to the payment of the costs and expenses of the Trustee and of the Owners in declaring the Event of Default and pursuing remedies;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of the installments (beginning with the earliest unpaid installment). If the amount available is not sufficient to pay in full any installment or installments coming due on the same date, then payment will be made ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Bonds which have become due, whether at maturity or by call for redemption, in the order of their due dates (beginning with the earliest unpaid installment), with interest on the overdue principal at a rate equal to the rate paid on the Bonds. If the amount available is not sufficient to pay in full all of the amounts due on the Bonds on any date, together with such interest, then payment will be made ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(b) If the principal with respect to all Bonds has become or has been declared due and payable, all the money will be applied (i) first to pay the fees and expenses as described above, and then (ii) to pay the principal and interest then due on the Bonds, without preference or priority of principal or interest, 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.

The Trustee may fix a payment date for any payment to the Owners under the provisions described above.

Undertaking for Costs. In any suit for the enforcement of any right or remedy under the Trust Agreement or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable legal fees, against any party, having due regard to the merits and good faith of the claims or defenses made by the party. This paragraph, however, does not apply to a suit by the Trustee or any authorized suit by any Owner.

Discharge of the Trust Agreement

Any Bond will be deemed paid for all purposes of the Trust Agreement when (a) payment of the principal, premium, if any, and interest on that Bond to the due date of those amounts (whether at maturity, upon redemption or otherwise) either (i) has been made in accordance with the terms of the Bonds or (ii) has been provided for by irrevocably depositing with the Trustee or other fiduciary in escrow (A) cash sufficient to make the payments or (B) Federal Securities maturing as to principal and interest in amounts and at times as will ensure, without reinvestment, the availability of sufficient moneys to make those payments, and which are not subject to redemption or purchase prior to maturity at the option of anyone other than the holder, and (b) all the Trustee’s compensation has been paid or provided for to the Trustee's satisfaction.

The sufficiency of the deposit referenced above must be evidenced or verified by a certificate or other writing, in form and substance satisfactory to the Trustee, of a person or entity experienced in making these calculations, in any case as the County may select.

When a Bond is deemed paid as a result of a deposit made as described above, it is no longer secured by or entitled to the benefits of the Trust Agreement, and all rights to payment of those Bonds will be limited to payment from moneys or Federal Securities deposited. Those Bonds, however, may still be transferred, exchanged, registered or replaced as provided in the Trust Agreement.

Notwithstanding the foregoing, the County may make no deposit under clause (a)(ii) above until the County has furnished the Trustee an Opinion of Bond Counsel to the effect that the deposit of such cash or Federal Securities will not cause the Bonds to become "arbitrage bonds" within the meaning of the Code, if the interest on those Bonds is intended to be not included in gross income for federal income tax purposes. within the meaning of the Code. Also, if a Bond is to be prepaid prior to maturity, notice of redemption of the Bond must be given in accordance with the Trust Agreement for such deposit to be deemed a payment of such Bond. If the Bond is not to be paid or prepaid within the next 60 days, however, the County must give the Trustee, in form satisfactory to the Trustee, irrevocable instructions (A) to provide notice, as soon as practicable, in accordance with the Trust Agreement, that the deposit required by (a)(ii) above has been made with the Trustee, that the Bond is deemed to be paid under the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal with respect to the Bond, and (B) to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond as provided in the Trust Agreement.

When all Outstanding Bonds are deemed paid under the Trust Agreement, the Trustee will, upon the County's request, acknowledge the discharge of the lien of the Trust Agreement and repay any excess amounts remaining on deposit in the Funds established under the Trust Agreement to the County.

No deposit must be made or accepted, and no use made of any deposit, that would cause any Bonds to be treated as "arbitrage bonds" within the meaning of the Code if the interest on that Bond is intended to be not included in gross income for federal income tax purposes.

Investments

Subject to the provisions of the Trust Agreement, the Trustee is to invest and reinvest moneys in the Funds and Accounts established under the Trust Agreement in Investment Obligations that are Legal Investments pursuant to written instructions from the County. If the County does not provide the Trustee with written direction as to any investment or reinvestment, the Trustee will invest or reinvest such moneys in the North Carolina Capital Management Trust (or its successor).

The Trustee may purchase or sell, to itself or to any affiliate, as principal or agent, investments of funds held under the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment and may make any investment through its bond or investment department.

Amendments of and Supplements to Trust Agreement, Bonds, Trust Agreement or Deed of Trust

Without Owners' Consent. The County and the Trustee may amend or supplement the Trust Agreement, any Bonds or the Deed of Trust without notice to or consent of any Owner for any of the following purposes, or for any combination of the following purposes:

(a) to cure any ambiguity, inconsistency or formal defect or omission

(b) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority

(c) to subject to the Trust Agreement additional collateral or to add other agreements of the County, including the addition of real estate or other collateral to be subject to the lien of the Trust Agreement or the Deed of Trust

(d) to permit the qualification of the Trust Agreement under any federal or state statute, whenever enacted, and, in that connection, to add to the Trust Agreement or any other supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by the federal or state statute

(e) to provide for the issuance of Additional Bonds as otherwise permitted by the Trust Agreement

(f) to provide for Bonds to be issued or exchanged for Bonds in any other form or format at that time permitted by law

(g) to evidence the succession of a new Trustee, or to provide for the appointment and operation of a Bond Registrar separate from the Trustee

(h) to make any other change that does not materially adversely affect the rights of any Owner

The Trustee may conclusively rely on a County Certificate to the effect that a proffered amendment or supplement is within the scope of the provisions summarized above.

At least five Business Days prior to its execution of any supplemental agreement or instrument for any of the purposes described above, the Trustee will provide for a notice of the proposed agreement or instrument to be mailed first-class, postage prepaid, to the LGC and to all Owners of Bonds. The notice must briefly set forth the nature of the proposed agreement or instrument, or include a copy of the amendment or supplement, and state that copies of the proposed agreement or instrument are available to all Owners of Bonds upon written request to the County or the Trustee at addresses set forth in the notice. Any failure on the

Trustee's part to mail the required notice, however, will not affect the validity of any agreement or instrument. This requirement for notice, however, does not apply in the case of an amendment authorized under (e) above.

With Owners' Consent. (a) If the Trust Agreement does not permit an amendment of or supplement to the Documents without any consent of Owners, the County and the Trustee may enter into that amendment or supplement only with the consent of the Majority Owners. The Trust Agreement provide procedures to be followed to obtain and determine the qualifying consent of Owners.

(b) Without the consent of each Owner affected, however, no amendment or supplement to the Documents may (i) extend the maturity of the principal of or interest on any Bond, (ii) reduce the principal amount of, or rate of interest on, any Bond, (iii) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds, (iv) reduce the percentage of the principal amount of the Bonds required for consent to any amendment or supplement, (v) intentionally impair any exclusion of interest on the Bonds from the federal gross income of the Owner of any Bond to which that interest was intended to be entitled, (vi) change any redemption terms of those Bonds, (vii) create a lien ranking prior to or on a parity with the lien of the Trust Agreement on the property pledged under the Trust Agreement (except with respect to a parity pledge for the benefit of the Owners of Additional Bonds), or (viii) deprive any Owner of the lien created by the Trust Agreement on any property except as permitted by the Documents.

In addition, if moneys or Federal Securities have been deposited or set aside with the Trustee pursuant to the Trust Agreement for the payment of Bonds and those Bonds have not in fact actually been paid in full, no amendment to the provisions of that Article may be made without the consent of the Owner of each Bond affected.

The Trust Agreement details terms and conditions for obtaining consent of the Owners when required under the Trust Agreement.

LGC's Consent Required. No amendment or supplement to the Documents will become effective unless the LGC delivers to the County and the Trustee its prior written consent to the amendment or supplement.

THE DEED OF TRUST

Grant of Security Interest in Pledged Facilities, Pledged Sites and Fixtures

In the Deed of Trust, the County grants a security interest in the Mortgaged Property, including the Pledged Facilities, the Pledged Sites, and the Fixtures (subject to encumbrances identified in the Deed of Trust) to secure the County's performance of its obligations under the Documents and any Additional Bonds executed and delivered pursuant to the Trust Agreement (and related documents). The Deed of Trust secures the County's obligations to each of the Owners, on parity with one another. The total amount, including present and future obligations, that may be secured by the Deed of Trust at any one time is $125,000,000.

Restriction on Transfers; Releases; Grants of Easements

The County shall not sell, transfer or encumber any interest in any Mortgaged Property, except as otherwise permitted by the Trust Agreement or the Deed of Trust. This prohibition applies whether the sale, transfer, or encumbrance is of a legal or an equitable interest, is voluntary, involuntary, by operation of law, or otherwise, and includes any encumbrance that is not a Permitted Encumbrance. The Trustee may take any action it deems appropriate to prevent or rescind any unauthorized sale, transfer or encumbrance.

The Trustee is required, upon the County's direction and at any time, to execute and deliver all documents necessary to effect the release of all or a portion of the Mortgaged Property from the lien of the Deed of Trust upon the County's compliance with the requirements of the Deed of Trust. No consent or acknowledgment by the Deed of Trust Trustee is required for any release under the Deed of Trust.

To obtain a release, the County must file with the Trustee a County Certificate (1) stating that (A) no Event of Default is continuing, (B) the release will not materially impair the intended use of the property remaining subject to the Deed of Trust, and (C) the release complies with the requirements of the Deed of Trust, (2) providing a copy of the proposed instrument of release, (3) directing the execution and delivery of the instrument, and (4) providing evidence of compliance with (a) or (b) below. The Trustee may not release property pursuant to the Deed of Trust during the continuation of an Event of Default.

(a) In the case of a proposed release of all the Mortgaged Property, the County must pay to the Trustee, or to some fiduciary reasonably acceptable to the Trustee, an amount (i) that is sufficient to provide for the payment in full of all Bonds Outstanding and (ii) that is required to be used for that payment.

(b) In connection with the release of a portion (but less than all) of the Mortgaged Property, the County must provide evidence to the Trustee that the appraised, taxable or insured value (and the County may provide different evidence for different portions) of that portion of the Mortgaged Property that is proposed to remain subject to the lien of the Deed of Trust will not be less than 50% of the aggregate principal component of the Bonds Outstanding at the time the release is effected.

In addition to the provisions for release described above, the County may from time-to-time grant easements, licenses, rights-of-way and other similar rights with respect to any part of the Mortgaged Property, and the County may release such interests, with or without consideration. The County may also dispose of any inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary Fixture, subject to certain limitations and conditions on disposition set out in the Deed of Trust (in each case, so long as the grant or disposition will not materially impair the intended use of the Pledged Facilities).

Advances for Performance of County's Obligations.

If the County fails to perform any of its obligations under the Documents, then the Trustee and the Deed of Trust Trustee are authorized, but not obligated, to perform the obligation or cause it to be performed. The County's repayment of all those amounts, together with interest at the annual rate of 4.00%, is secured as an Obligation under this Deed of Trust.

Substitute Trustees

If any Deed of Trust Trustee dies, becomes incapable of acting or renounces the trust, or if for any reason the Trustee desires to replace any Deed of Trust Trustee, then the Trustee has the unqualified right to appoint one or more substitute or successor Deed of Trust Trustees. The Trustee may make any removal or appointment at any time without notice, without specifying any reason, and without any court approval. Any appointee becomes vested with title to the Mortgaged Property and with all rights, powers and duties conferred upon the Deed of Trust Trustee by the Deed of Trust in the same manner and to the same effect as if that Deed of Trust Trustee had been named as the original Deed of Trust Trustee.

Defaults and Remedies; Foreclosure

Defaults and Remedies. During the continuation of an Event of Default, the Trustee may pursue its rights and remedies as provided under the Trust Agreement and the Deed of Trust.

Foreclosure; Sale under Power of Sale.

Right to foreclosure or sale. During the continuation of an Event of Default, at the Trustee's request, the Deed of Trust Trustee must foreclose the Deed of Trust by judicial proceedings or, at the Trustee's option, the Deed of Trust Trustee must sell (and is empowered to sell) all or any part of the Mortgaged Property at public sale to the last and highest bidder for cash (free of any equity of redemption, homestead, dower, curtesy or other exemption, all of which the County in the Deed of Trust expressly waives to the extent permitted by law) after compliance with applicable State laws relating to foreclosure sales under power of sale. The Deed of Trust Trustee will execute and deliver a proper deed or deeds to the successful purchaser at any such sale. If only a part of the Mortgaged Property is sold, the partial sale in no way adversely affects the lien created by the Deed of Trust against the remainder.

Trustee's Bid. The Trustee may bid and become the purchaser at any sale under the Deed of Trust. Instead of paying cash, the Trustee may make settlement for the purchase price by crediting against the Obligations the bid price net of sale expenses, including the Deed of Trust Trustee's commission, and after payment of any taxes and assessments as may be a lien on the Mortgaged Property superior to the lien of the Deed of Trust (unless the Mortgaged Property is sold subject to those liens and assessments, as provided by law).

County's Bid. The County may bid for all or any part or parts of the Mortgaged Property at any foreclosure sale. The County, however, may not bid less than an amount sufficient to provide for full payment of the Obligations, unless the Trustee consents in writing.

Successful bidder's deposit. At any sale, the Deed of Trust Trustee may, at its option, require any successful bidder (other than the Trustee) immediately to make a deposit with the Deed of Trust Trustee against the successful bid in the form of cash or a certified check in an amount of up to 5% of the sale price. The advertised notice of sale need not include notice of this requirement.

Application of sale proceeds. The Deed of Trust Trustee must apply the proceeds of any foreclosure sale in the manner and in the order prescribed by State law. The expenses of any sale will include a commission to the Deed of Trust Trustee equal to one-half of one percent of the gross sales price for all services performed by the Deed of Trust Trustee under the Deed of Trust. Any sale proceeds remaining after the payment of all Obligations and the prior application of the proceeds in accordance with State law will be paid to the County.

Possession of Mortgaged Property. During the continuation of an Event of Default, upon the Trustee's demand the County must deliver possession of the Mortgaged Property to the Trustee. In addition, the County must surrender possession of the Mortgaged Property to the purchaser of the Mortgaged Property at any judicial or foreclosure sale under this Deed of Trust.

During the continuation of an Event of Default, the Trustee, to the extent permitted by law, is also authorized to (a) take possession of the Mortgaged Property, with or without legal action, (b) lease the Mortgaged Property, (c) collect all rents and profits from the Mortgaged Property, with or without taking possession of the Mortgaged Property, and (d) after deducting all collection costs and administration expenses, apply the net rents and profits to the payment of necessary maintenance and insurance costs, and then apply all remaining amounts to the County's account and in reduction of the Obligations.

The Trustee will be liable to account only for rents and profits it actually receives. The Trustee may take any action permitted under this provision with respect to all or any portion of the Mortgaged Property, as it may elect.

DEFINITIONS

The following are definitions of certain terms used in the Trust Agreement and the Deed of Trust.

"2024 Bonds" means the Bonds now issued pursuant to the Trust Agreement as described in this Official Statement.

"Additional Bonds" means any Bonds delivered pursuant to the Trust Agreement after the initial delivery of the 2024 Bonds.

"Additional Payments" means the Trustee's reasonable and customary fees and expenses, any of the Trustee's expenses (including legal fees, costs and expenses) in prosecuting or defending any action or proceeding in connection with the Documents, or any other amounts payable by the County as a result of its covenants under the Documents (together with interest that may accrue on any of the above if the County fails to pay the same, as set forth in the Trust Agreement and the Deed of Trust).

"Bond Counsel" means any attorney or firm of attorneys nationally recognized on the subject of municipal obligations as the County may select from time to time.

"Bond Payments" means all amounts payable by the County pursuant to the Trust Agreement for the payment of principal, interest or redemption premium (as applicable) on Bonds.

"Bonds" means, together, the 2024 Bonds and all Additional Bonds.

"Business Day" means any day (a) other than a day on which banks in New York, New York, or the city to which notices to the Trustee under the Trust Agreement are to be sent, are required or authorized to close, and (b) on which the New York Stock Exchange is not closed.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations, rulings and revenue procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended, as applicable to the Bonds.

"Contract Payments" means all Bond Payments and Additional Payments.

"County Board" means the County's governing board as from time to time constituted.

"County Certificate" mean any written document (in whatever form, however designated) executed and delivered by a County Representative.

"County Representative" means the County Manager, the County's statutory finance officer, or any other person or persons at the time designated, by a written certificate furnished to the Trustee that is (a) signed on the County's behalf by the County Manager or the presiding officer of the County Board to act on the County's behalf (or to perform any specified act) under the Trust Agreement, and (b) contains the specimen signature of the designated person

"Deed of Trust" means the Deed of Trust and Security Agreement dated as of September 1, 2024, delivered by the County to a deed of trust trustee for the Trustee's benefit, as it may be duly amended or supplemented.

"Documents" means, as a group, the Trust Agreement, the Bonds and the Deed of Trust.

"Event of Default" has the meaning set forth in the Trust Agreement. See the section in these summaries above captioned "THE TRUST AGREEMENT -- Default and Remedies under Trust Agreement – Events of Default."

"Event of Nonappropriation" means a failure or refusal by the County Board to include funds for Contract Payments in the County's budget for any Fiscal Year, or any reduction or elimination of an appropriation for Contract Payments, all as further described under the Trust Agreement.

"Federal Securities" means, to the extent the same are Legal Investments, (a) direct obligations of the United States of America for which its full faith and credit are pledged, or (b) securities or obligations evidencing direct ownership interests in specified portions (principal or interest) of obligations described in (a), and expressly includes obligations stripped by the United States Treasury itself.

"Financing Costs" means all professional and administrative costs related to the authorization and execution and delivery of the Bonds, including printing and publication costs and legal, accounting, advisory and other fees and expenses. Financing Costs are a subset of Project Costs.

"Fiscal Year" means the County's fiscal year beginning July 1, or such other fiscal year as the County may later lawfully establish, and also includes the period between the Closing Date and June 30, 2025.

The "Fixtures" are all items of personal property attached or affixed to the Pledged Facilities in such a manner that removing the items would cause damage to the Pledged Facilities. The Fixtures may include plumbing, heating, lighting, electrical, laundry, ventilating, refrigerating, incinerating, air-conditioning, fire and theft protection and sprinkler equipment, and include all renewals and replacements thereof and all additions thereto, and all articles in substitution thereof, and all proceeds of all the foregoing in whatever form.

"Legal Investments" means all investments as are legal investments for the County's funds, as determined at the time of investment, and “Investment Obligations” means the securities purchased as Legal Investments and held under the Trust Agreement.

“LGC” means the North Carolina Local Government Commission, or any successor to its functions.

“Majority Owners” means, as of any date, the Owners of at least a majority in principal amount of the Bonds then Outstanding.

"Mortgaged Property" has the meaning assigned in the Deed of Trust, and generally includes the Pledged Sites and the Pledged Facilities.

"Net Proceeds" means all payments and proceeds derived from (a) claims made on account of insurance coverages required under the Trust Agreement, (b) any exercise of condemnation or eminent domain authority related to all or any portion of the Mortgaged Property, (c) proceeds of title insurance related to the Mortgaged Property, or (d) any sale of the Pledged Facilities, as well as all judgments, settlements or other payments in lieu of any of the foregoing, but in any case reduced by the sum of all amounts (including legal fees, costs and expenses) expended by the County or the Trustee (i) to collect those gross proceeds or (ii) to remedy the event giving rise to the proceeds, all of which amounts will be paid or reimbursed from the gross proceeds.

“Obligations” has the meaning assigned in the Deed of Trust and generally means the Bond Payments, the Additional Payments and any other amounts payable by the County under the Trust Agreement or the Deed of Trust.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

"Outstanding," when used with reference to Bonds, or "Bonds Outstanding," means all Bonds that have been authenticated and delivered by the Trustee under the Trust Agreement and not yet paid, except the following:

(a) Bonds canceled or purchased by or delivered to the Trustee for cancellation;

(b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which, including interest accrued to the due date, the Trustee holds sufficient moneys;

(c) Bonds deemed paid in accordance with the defeasance provisions of the Trust Agreement; and

(d) Bonds in lieu of which others have been authenticated under the provisions of the Trust Agreement relating to registration and exchange of Bonds or relating to mutilated, lost, stolen, destroyed or undelivered Bonds.

"Owner," when used with reference to a Bond, means the person in whose name that Bond is registered on the registration books maintained by the Trustee.

“Payment Date” with respect to the 2024 Bonds means each April 1 and October 1, beginning April 1, 2025.

"Permitted Encumbrances" means, as of any particular time, (a) the “Existing Encumbrances,” as defined in the Deed of Trust (which generally includes minor utility easements and similar encumbrances that will not materially affect the use of the property or the security of the Deed of Trust), (b) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the Trust Agreement, (c) the Deed of Trust, (d) any lien or encumbrance made by its terms expressly subordinate to the lien of the Deed of Trust, and (e) easements and rights-of-way granted by the County pursuant to the Deed of Trust.

“Pledged Facilities” has the meaning described in the Deed of Trust, and generally includes the planned new Franklin High School.

“Pledged Sites” has the meaning ascribed to that term in the Deed of Trust, and generally includes the real property upon which the Pledged Facilities are located.

“Project” means the Project described in the Trust Agreement, and generally means the County’s carrying out the acquisition, construction and financing of a new Franklin High School for the County, as further described in the section of this Official Statement entitled “THE PLAN OF FINANCE.”

“Project Costs” means all costs of the design, planning, constructing, acquiring, installing, equipping and general carrying-out of the Project, all as determined in accordance with generally accepted accounting principles and that will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Bonds to which it is intended that interest will be entitled. "Project Costs" include (a) sums required to reimburse the County or its agents for advances made for any costs otherwise described in this definition, (b) interest during the period of acquisition and construction of improvements and for up to six months thereafter, and (c) all Financing Costs.

"School Board" means The Macon County Board of Education, or any successor to its functions.

"State" means the State of North Carolina.

"Trust Agreement" means the Trust Agreement dated as of September 1, 2024, between the County and U.S. Bank Trust Company, National Association, as trustee.

"Trustee" means the bank or trust company from time to time serving as trustee under the Trust Agreement, whether the original or a successor Trustee.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Proposed form of Bond Counsel's opinion]

September ____, 2024

Macon County, North Carolina

$65,910,000
Macon County, North Carolina
Limited Obligation Bonds, Series 2024

We have acted as bond counsel to Macon County, North Carolina (the "County"), in connection with the County's issuance today of the above-captioned bonds (the "Bonds") and the County's execution and delivery today of the following documents:

(a) A Trust Agreement dated as of September 1, 2024 (the "Trust Agreement"), between the County and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"); and

(b) A Deed of Trust and Security Agreement dated as of September 1, 2024 (the "Deed of Trust"), given by the County to a deed of trust trustee (the "Deed of Trust Trustee") for the Trustee's benefit.

The County is and has been our only client in this transaction.

We have examined the applicable law and certified copies of proceedings and documents relating to this execution and delivery.

Reference is made to the Bonds and the Official Statement dated September 11, 2024 (the "Official Statement"), related to the offering of the Bonds, for additional information concerning the details of the Bonds, their payment and redemption provisions, their purposes and the proceedings pursuant to which they are executed and delivered.

Without undertaking to verify the same by independent investigation, we have relied on representations and certifications by representatives of the County, the North Carolina Local Government Commission and others as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The County has made certain covenants (the "Covenants") to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds made available to the County from the Bonds and the timely payment to the United States of any arbitrage rebate required under the Code, all as set forth in the proceedings and documents providing for the authorization, execution and delivery of the Trust Agreement and the Bonds.

We have assumed the capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to authentic original documents of all documents submitted to us as copies or specimens.

Based on the foregoing, as of today and under existing law, we are of the following opinions:

1. The County has duly authorized, executed and delivered the Trust Agreement. The Trust Agreement is a legal, valid and binding obligation of the County, enforceable against the County in accordance with its terms.

2. The County has duly authorized, executed and delivered the Deed of Trust. The Deed of Trust is a legal, valid and binding obligation of the County, enforceable against the County by the Trustee and the Deed of Trust Trustee in accordance with its terms

3. The County has duly authorized, executed and delivered the Bonds. The Bonds are legal, valid and binding obligations of the County, enforceable against the County in accordance with their terms. The Bonds are secured as provided in the Trust Agreement and the Deed of Trust.

Our opinions as set forth in paragraphs 1, 2 and 3 above are subject to the effect (a) of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, and (b) of general principles of equity, regardless of whether applied in a proceeding in equity or at law. We have assumed the enforceability of the Trust Agreement against the Trustee and the Trustee's due authentication and delivery of the Bonds.

We have not examined the title to any property that the Deed of Trust purports to encumber. We therefore express no opinion as to title or perfection or priority of liens, including any matters related to the recording of the Deed of Trust. Similarly, we express no opinion, whether expressly or by implication, as to the enforceability of any remedy to the extent enforceability depends on any matters of title, perfection or priority. We direct your attention to the title insurance policy to be issued in connection with this financing by Fidelity National Title Insurance Company, which addresses some of these matters.

The County's obligations under the Trust Agreement and the Bonds are not general obligations of the County. Pursuant to the terms of the Deed of Trust, the Trust Agreement and Section 160A-20 of the North Carolina General Statutes, no deficiency judgment may be rendered against the County in violation of that Section 160A-20.

4. Interest on the Bonds paid by the County is not included in gross income for federal income tax purposes. Interest on the Bonds is not a separate tax preference item for purposes of the federal alternative minimum tax; 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. The County's

failure to comply with the Covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

We express no opinion regarding other tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

Our services as bond counsel have been limited to rendering the foregoing opinions based on our review of such proceedings and documents as we have deemed necessary. We have not made any investigation concerning the County's operations, condition or financial resources. We express no opinion here (a) as to the County's ability to provide for payments due under the Trust Agreement or otherwise with respect to the Bonds, (b) as to the accuracy, completeness or fairness of any information that may have been relied on by anyone in deciding to purchase Bonds, including the Official Statement, or (c) as to any party's compliance with any terms or conditions precedent to any purchase of Bonds.

This opinion is based on constitutional and statutory provisions and judicial decisions existing today. We assume no responsibility to update this opinion or take any other action regarding changes in facts, circumstances or the applicable law.

Very truly yours,

[To Be Signed, “Sanford Holshouser LLP”]

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

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 certificates representing their interests in such 2024 Bonds purchased. So long as The Depository Trust Company ("DTC"), New York, New York, 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 of the 2024 Bonds. The Trust Agreement contains provisions applicable to periods when DTC or its nominee is not the registered owner.

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.

DTC will act as securities depository for the 2024 Bonds. The 2024 Bonds will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate in the aggregate principal amount of each maturity of the 2024 Bonds will be deposited with DTC or its designee. 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 shall mean Cede & Co. and shall not mean the beneficial owners of the 2024 Bonds.

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, as amended. 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 securities certificates. 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation as well as by the New York Stock Exchange, Inc., the American Stock Exchange, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants" and collectively with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2024 Bonds (the "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 Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners of such 2024 Bonds. Beneficial Owners will not receive certificates representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for such 2024 Bonds is discontinued.

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 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the identities 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.

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 the 2024 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to such 2024 Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of the 2024 Bonds may wish to ascertain that the nominee holding such 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.

Redemption notices shall be sent to DTC. If less than all of the 2024 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2024 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting and voting rights to those Direct Participants to whose accounts such 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 Trust Agreement, 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 County, 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.**

Principal, premium, if any, and interest 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 Trustee, 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 Participants and not of DTC (nor its nominee), the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants is DTC's responsibility, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants. The County cannot and does not give assurance that Direct and Indirect Participants will promptly transfer payments to Beneficial Owners.

DTC may discontinue providing its services as securities depository with respect to the 2024 Bonds at any time by giving reasonable notice to the County and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing interests in 2024 Bonds are required to be printed and delivered. The County may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to DTC.

The County 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 amount due to any beneficial owner in respect to the 2024 Bonds or the sending of 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 Trust Agreement to be given to Owners; (4) the selection of the Beneficial Owners to receive payments upon any partial redemption 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 County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

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