

This Official Statement has been prepared by the County of Rowan, North Carolina (the "County") to provide information on the County of Rowan, 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.

\$67,395,000
COUNTY OF ROWAN, NORTH CAROLINA
LIMITED OBLIGATION BONDS
SERIES 2024

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

Tax Treatment: In the opinion of Bond Counsel, under existing law and subject to the conditions described in "TAX TREATMENT" herein, interest on the 2024 Bonds (a) is excludable from gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. Bond Counsel is further of the opinion that interest on the 2024 Bonds is exempt from all present State of North Carolina income taxes. See "TAX TREATMENT" herein regarding other tax considerations.

Security: The payment of amounts by the County with respect to the 2024 Bonds shall be limited to funds appropriated for that purpose by the Board of Commissioners of the County in its discretion.

As security for the 2024 Bonds, the County will execute and deliver a deed of trust, granting, among other things, a lien of record on the Mortgaged Property (as defined herein) subject to Permitted Encumbrances.

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 moneys due to the owners of the 2024 Bonds.

Purpose: The 2024 Bonds are to be used to provide funds, together with any other available funds, to (a) finance (i) the construction and equipping of a new school for grades 3-8 in the Rowan-Salisbury School System, (ii) the design, construction and equipping of roofing projects at various schools within the Rowan-Salisbury School System, and (iii) the construction and equipping of an addition to Fred L. Wilson Elementary School of the Kannapolis City Schools, and (b) pay certain costs incurred in connection with the issuance and sale of the 2024 Bonds.

Redemption: The 2024 Bonds are subject to redemption prior to maturity as set forth herein.

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

Denominations: \$5,000 or integral multiples thereof.

Expected Delivery Date: October 3, 2024.

Trustee: The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida.

Bond Counsel: McGuireWoods LLP, Raleigh, North Carolina.

County Attorney: John W. Dees, II, Esq., Salisbury, North Carolina.

Underwriters' Counsel: Pope Flynn, LLC, Charlotte, North Carolina.

Financial Advisor: First Tryon Advisors, Charlotte, North Carolina.

Truist Securities

HilltopSecurities

Dated: September 19, 2024

MATURITY SCHEDULE

<u>Due (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁺</u>
2025	\$3,360,000	5.000%	2.630%	779473AA5
2026	3,375,000	5.000	2.400	779473AB3
2027	3,375,000	5.000	2.390	779473AC1
2028	3,375,000	5.000	2.420	779473AD9
2029	3,375,000	5.000	2.450	779473AE7
2030	3,375,000	5.000	2.540	779473AF4
2031	3,375,000	5.000	2.650	779473AG2
2032	3,375,000	5.000	2.760	779473AH0
2033	3,375,000	5.000	2.830	779473AJ6
2034	3,375,000	5.000	2.880	779473AK3
2035	3,370,000	5.000	2.980 ^C	779473AL1
2036	3,370,000	5.000	3.030 ^C	779473AM9
2037	3,370,000	5.000	3.060 ^C	779473AN7
2038	3,365,000	4.000	3.510 ^C	779473AP2
2039	3,365,000	4.000	3.610 ^C	779473AQ0
2040	3,365,000	4.000	3.710 ^C	779473AR8
2041	3,365,000	4.000	3.800 ^C	779473AS6
2042	3,365,000	4.000	3.860 ^C	779473AT4
2043	3,365,000	4.000	3.920 ^C	779473AU1
2044	3,360,000	4.000	3.970 ^C	779473AV9

^C Yield to April 1, 2034 par call.

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IN CONNECTION WITH THIS OFFERING, TRUIST SECURITIES, INC. AND HILLTOP SECURITIES INC. (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. Neither the delivery of this Official Statement nor the sale of any of the 2024 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

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

NEITHER THE 2024 BONDS NOR THE TRUST AGREEMENTS (AS SUCH TERMS ARE DEFINED HEREIN) 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 AGREEMENTS 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. 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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\$67,395,000
County of Rowan, North Carolina
Limited Obligation Bonds, Series 2024

INTRODUCTION

The purpose of this Official Statement, which includes the appendices, is to provide information in connection with the \$67,395,000 in aggregate principal amount of County of Rowan, North Carolina Limited Obligation Bonds, Series 2024 (the “2024 Bonds”).

Details of the 2024 Bonds. The 2024 Bonds will be dated the date of initial execution and delivery and will mature on April 1 in the years and amounts set forth on the inside cover hereof. Interest on the 2024 Bonds will be payable on each April 1 and October 1, beginning April 1, 2025, at the rates set forth on the inside cover hereof. Individual purchases of the 2024 Bonds will be made in denominations of \$5,000 or whole multiples thereof. See “THE 2024 BONDS” herein.

The 2024 Bonds will be issued pursuant to a Trust Agreement dated as of October 1, 2024 (the “Trust Agreement”), between the County of Rowan, North Carolina (the “County”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a First Supplemental Trust Agreement dated as of October 1, 2024 (the “First Supplemental Trust Agreement” and, together with the Trust Agreement, the “Trust Agreements”), between the County and the Trustee.

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 Commissioners of the County (the “Board of Commissioners”) adopted on August 19, 2024. Each 2024 Bond will be deemed an “installment contract” under the Act.

In addition, the 2024 Bonds received the approval of 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 of North Carolina (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 or 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 its proposed purpose.

Purpose. The proceeds of the 2024 Bonds are to be used to provide funds, together with any other available funds, to (a) finance (i) the construction and equipping of a new school for grades 3-8 in the Rowan-Salisbury School System, to be constructed at 1625 Park Road West in Salisbury, North Carolina (the “New School Project”), (ii) the design, construction and equipping of roofing projects at various schools within the Rowan-Salisbury School System (the “Roofing Projects”), and (iii) the construction and equipping of an addition to Fred L. Wilson Elementary School of the Kannapolis City Schools (the “Wilson Elementary Project” and together with the New School Project and the Roofing Projects, the “Project”), and (b) pay certain costs incurred in connection with the issuance and sale of the 2024 Bonds.

Security. The 2024 Bonds are limited obligations of the County and payments thereon shall be limited to funds appropriated for that purpose by the Board of Commissioners in its discretion.

As security for 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 dated as of October 1, 2024 (the “Deed of Trust”), granting a lien of record on the site of the New School Project and the real estate improvements thereon and appurtenances thereto (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 will authorize future obligations evidenced by additional bonds issued under the Trust Agreement (“Additional Bonds” and, together with the 2024 Bonds, the “Bonds”) to be secured by the Deed of Trust, along with the 2024 Bonds, provided that the total amount of present and future obligations secured by the Deed of Trust at any one time does not exceed 200% of the par amount of the 2024 Bonds 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, accounts and subaccounts established under the Trust Agreements, including the Construction Fund, the Bond Fund and the Net Proceeds Fund created under the Trust Agreements as security for the Bonds.

If a default occurs under the Trust Agreements, 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 all other Bonds. NO ASSURANCE CAN BE GIVEN THAT ANY SUCH PROCEEDS WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF AND THE INTEREST ON THE 2024 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 AGREEMENTS) ARE INSUFFICIENT TO PAY THE 2024 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. THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE THE BONDS.

Tax Status. See “TAX TREATMENT” herein.

Continuing Disclosure. Pursuant to the First Supplemental Trust Agreement, the County will undertake to provide continuing disclosure of certain annual financial information and operating data and certain material events. See “CONTINUING DISCLOSURE” herein.

Definitions; Document Summaries. See Appendix C for a summary of certain provisions of the Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust and for the definitions of certain capitalized terms used herein. Unless otherwise indicated, capitalized terms used herein and not otherwise defined shall have the same meanings given such terms in the Trust Agreement, the First Supplemental Trust Agreement or the Deed of Trust.

THE 2024 BONDS

General

The 2024 Bonds will be dated the date of initial execution and delivery and will mature on April 1 in the years and amounts set forth on the inside cover hereof. Interest on the 2024 Bonds will be payable on each April 1 and October 1, beginning April 1, 2025, at the rates set forth on the inside cover hereof. Individual purchases of the 2024 Bonds will be made in denominations of \$5,000 or whole multiples thereof. Interest on the 2024 Bonds will be paid to the person in whose name such 2024 Bond is registered

at the close of business on the Regular Record Date for such interest, which shall be the 15th day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

Book-Entry Only

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

Redemption Provisions

Optional Redemption. The 2024 Bonds maturing on or prior to April 1, 2034, are not subject to redemption prior to their respective maturities. The 2024 Bonds maturing on or after April 1, 2035, are subject to redemption prior to their respective maturities, at the option of the County, from any moneys that may be available for such purpose, either in whole or in part, on any date on or after April 1, 2034, at a Redemption Price equal to 100% of the principal amount of the 2024 Bonds to be redeemed, plus accrued interest to the redemption date.

Notice of Redemption. Not less than 30 days nor more than 60 days before the redemption date, the Trustee shall give notice of redemption by first class mail, postage prepaid (or, in the case of notice to DTC, by electronic mail, registered certified mail or otherwise in accordance with DTC's then-existing rules and procedures) (1) to DTC or its nominee or to the then-existing securities depositories, or (2) if DTC or its nominee or another securities depository is no longer the Owner of the 2024 Bonds, to the then-registered Owners of the 2024 Bonds to be prepaid at their addresses appearing on the registration books maintained by the Trustee, (3) to the LGC, and (4) to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB.

Such notice must (1) specify the 2024 Bonds to be redeemed, the redemption date, the Redemption Price and place or places where amounts due on such redemption must be payable (which must be a designated office of the Paying Agent) and if less than all of the 2024 Bonds are to be redeemed, the numbers of the 2024 Bonds and the portions of the 2024 Bonds to be redeemed, (2) state that on the redemption date, the 2024 Bonds to be redeemed will cease to bear interest and (3) state, if an optional redemption is conditional on the occurrence of one or more events, what the conditions for redemption are and the manner in which Owners will be notified if the conditions precedent to a redemption do not occur. If notice is given, the failure to receive such notice or any defect therein will not affect the validity of any proceedings for such redemption, and failure to give notice to all Owners will not affect the validity of any proceedings with respect to any Owner to whom such notice is properly given. Any notice mailed as described above will be conclusively presumed to have been given, whether or not the Owner received the notice. If at the time of mailing of notice of redemption there is not on deposit with the Trustee money sufficient to redeem the 2024 Bonds called for redemption, which money is or will be available for redemption of the 2024 Bonds, then any such notice will state that it is conditional on the deposit of the redemption money with the Trustee in or before the redemption date. Any notice, once given, may be withdrawn by notice delivered in the manner set forth above, on receipt by the Trustee of written instruction from the County with respect to such withdrawal.

If money is on deposit in the Bond Fund to pay the Redemption Price of the 2024 Bonds called for redemption on a redemption date, 2024 Bonds or portions thereof thus called and provided for as hereinabove specified will not bear interest after such redemption date and will not be considered to be Outstanding or to have any other rights under the Trust Agreements other than the right to receive payment.

No payment of principal will be made by the Trustee on any 2024 Bonds or portions thereof called for redemption until such 2024 Bonds or portions thereof have been delivered for payment or cancellation or the Trustee has received the items required by Section 210 of the Trust Agreement with respect to any mutilated, lost, stolen or destroyed 2024 Bonds.

Selection of 2024 Bonds to be Redeemed. In the case of any partial redemption of 2024 Bonds, the County will select the maturity or maturities of the 2024 Bonds to be redeemed and the Securities Depository will select the 2024 Bonds within the same maturity pursuant to its rules and procedures or, if the book-entry system with DTC or any other Securities Depository has been discontinued, the Trustee will select the 2024 Bonds to be redeemed by lot in such manner as the Trustee in its discretion may deem proper. For this purpose, each Authorized Denomination of principal amount represented by any 2024 Bond will be considered a separate 2024 Bond for purposes of selecting the 2024 Bonds to be redeemed. Immediately upon the selection of the 2024 Bonds to be redeemed the Trustee shall notify the Securities Depository of the specific 2024 Bonds to be redeemed.

If a 2024 Bond subject to redemption is in a denomination larger than the minimum Authorized Denomination, a portion of such 2024 Bond may be redeemed, but only in a principal amount such that the unredeemed portion of such 2024 Bond is equal to an Authorized Denomination. For any 2024 Bond in a denomination of more than the minimum Authorized Denomination, the Trustee shall treat each such 2024 Bond as representing a single 2024 Bond in the minimum Authorized Denomination plus that number of 2024 Bonds that is obtained by dividing the remaining principal amount of such 2024 Bond by the minimum Authorized Denomination.

If it is determined that one or more, but not all, of the Authorized Denominations of principal amount represented by any 2024 Bond is to be called for redemption, then, on notice of intention to redeem such Authorized Denominations of principal amount of such 2024 Bond, the Owner of such 2024 Bond, on surrender of such 2024 Bond to the Trustee for payment of the principal amount of such 2024 Bond, will be entitled to receive new 2024 Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such 2024 Bond. New 2024 Bonds representing the unredeemed balance of the principal amount of such 2024 Bonds will be issued to the Owner thereof without charge therefor.

If the Owner of any 2024 Bond of a denomination greater than the amount being redeemed fails to present such 2024 Bond to the Trustee for payment and exchange as aforesaid, such 2024 Bond will, nevertheless, become due and payable on the date fixed for redemption to the extent of the denomination being redeemed and to that extent only.

SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS

General

The 2024 Bonds are payable from payments to be made by the County pursuant to the Trust Agreements 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 Agreements.

Payment of Bonds; Limited Obligation; Budgeting

The County shall cause to be paid, when due, the principal of (whether at maturity, by acceleration, or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner described in the Trust Agreements. The County shall also pay to such persons as are entitled thereto such amounts (“Additional Payments”) as shall be required for the payment of all administrative and other

costs relating to any Additional Project or the Bonds, including, without limitation, (i) all expenses and compensation of the Trustee, the LGC, the provider of any credit facility or liquidity facility relating to any Bonds and any fiscal agents required to administer the terms of any Bonds (such as remarketing agents, auction agents, tender agents or paying agents); (ii) fees of auditors, accountants, attorneys or engineers; (iii) any Derivative Agreement Scheduled Payments or Derivative Agreement Additional Payments; (iv) all other necessary administrative costs of the County or to indemnify any Indemnified Party; and (v) any other payments specified as Additional Payments under a Supplemental Agreement. The County shall promptly file with the Trustee copies of any Derivative Agreement entered into by the County relating to the Bonds.

The County Manager of the County (or any other officer at any time charged with the responsibility for formulating budget proposals) shall include in the budget proposals for review and consideration by the Board of Commissioners in each Fiscal Year in which the Trust Agreement is in effect, items for all payments of principal of, premium, if any, and interest due on the Bonds (reasonably estimated in the case of any Bonds issued bearing interest at a variable interest rate and taking into account the effect of any Derivative Agreement) and reasonably estimated Additional Payments required for such Fiscal Year. Any such budget item shall be deleted from the applicable budget by the Board of Commissioners only by the adoption of a resolution to such effect containing a statement of its reasons therefor, which resolution shall be adopted by roll-call vote. The County shall furnish to the Trustee within 30 days of the adoption by the County of its annual budget a certificate of an Authorized Officer certifying that such annual budget includes items for all payments of principal of, premium, if any, and interest on the Bonds and the reasonably estimated Additional Payments for the Fiscal Year to which the annual budget relates. In addition, the County shall promptly provide to the Trustee notice of any amendments to its annual budget affecting appropriations for payments of principal of, premium, if any, and interest on the Bonds or Additional Payments. The County shall promptly provide notice of any Event of Nonappropriation to the Trustee, the LGC and each Rating Agency then rating any of the Outstanding Bonds. An Event of Nonappropriation constitutes an Event of Default under the Trust Agreements, which entitles the Trustee to exercise its remedies under the Trust Agreements, including its rights to foreclose on the Mortgaged Property under the Deed of Trust.

Trust Agreements

General. Under the Trust Agreements, the County grants to the Trustee for the benefit of the Owners a security interest in all moneys and securities from time to time held by or on behalf of the Trustee in all funds, accounts or subaccounts established under the Trust Agreements, including the Bond Fund, the Construction Fund and the Net Proceeds Fund. In addition, as security for its obligations under the Trust Agreements, the County has delivered the Deed of Trust to the Trustee, creating a lien on the Mortgaged Property.

Release of Mortgaged Property. At any time and from time to time, so long as no Event of Default has occurred and is continuing under the Trust Agreements or the Deed of Trust, the Deed of Trust Trustee and the Trustee (as Beneficiary under the Deed of Trust) shall be required to release a portion of the Mortgaged Property from the lien and security interest created by the Deed of Trust when and if the following requirements have been met:

(a) there is filed with the Deed of Trust Trustee and the Trustee, as beneficiary under the Deed of Trust, a certified copy of a resolution of the Board of Commissioners stating that the County desires the release of such portion of the Mortgaged Property, giving an adequate legal description of the portion of the Mortgaged Property to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release;

(b) either (i) the value of the Mortgaged Property remaining after the proposed release (as such value is evidenced by or derived from (A) an appraisal of the remaining Mortgaged Property prepared by a certified MAI-approved appraiser, (B) the insured value of the remaining Mortgaged Property or (C) the property tax valuation of the remaining Mortgaged Property), is not less than 50% of the aggregate principal amount of Bonds then Outstanding or (ii) the County (A) provides for substitution of other property (the “Substitute Property”) that will be made subject to the lien of the Deed of Trust that has a value such that the combined value of the remaining Mortgaged Property and the Substitute Property (as such value is evidenced by or derived from (1) an appraisal of the remaining Mortgaged Property and the Substitute Property prepared by a certified MAI-approved appraiser, (2) the insured value of the remaining Mortgaged Property and the Substitute Property or (3) the property tax valuation of the remaining Mortgaged Property and the Substitute Property) is not less than the value of the Mortgaged Property immediately before the proposed substitution or is not less than 50% of the aggregate principal amount of Bonds then Outstanding, (B) delivers to the Deed of Trust Trustee and the Trustee an opinion of bond counsel to the County to the effect that the substitution of such property is permitted by law and is permitted under the terms of the Trust Agreement and the Deed of Trust and, for any Bonds with respect to which interest is intended to be excludable from the gross income of the owners thereof for federal or state income tax purposes, that such release and substitution will not adversely affect the exclusion of interest on such Bonds from the gross income of the owners thereof for federal or state income tax purposes, and (C) records a release, amendment or modification to the Deed of Trust or such other instruments necessary to reflect such release and substitution of the Mortgaged Property at the place and in the manner required by the laws of the State; and

(c) such release shall not prohibit the County’s ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released, as evidenced by a certificate of an Authorized Officer filed with the Deed of Trust Trustee and the Trustee.

See “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE DEED OF TRUST—Grant and Release of Easements; Release of Mortgaged Property” in Appendix C hereto.

Deed of Trust

The County will execute and deliver the Deed of Trust conveying the Mortgaged Property to the Deed of Trust Trustee as security for its obligations under the Trust Agreements. The Deed of Trust will be duly recorded and will constitute a lien of record on the Mortgaged Property, subject only to Permitted Encumbrances. The Trustee will be the beneficiary under the Deed of Trust, for the benefit of the Owners, to secure payment of the 2024 Bonds and any Additional Bonds.

The Mortgaged Property consists of the 45.28-acre site (the “Site”) of the New School Project located at 1625 Park Road West in Salisbury, North Carolina (the former site of Knox Middle School), together with all buildings, improvements and fixtures of every kind and description now or hereafter erected or located thereon, including the New School Project, an approximately 122,130 square-foot school with capacity for approximately 850 students in grades 3-8, to be constructed thereon. The Site is also the location of Overton Elementary School, an existing K-5 elementary school (“Overton Elementary”), and Horizons Unlimited (“Horizons Unlimited”), a science center owned and operated under the Rowan-Salisbury School System. Some of the improvements that are part of the New School Project such as the athletic fields, access roads and parking will also be available to students and families at Overton Elementary. It is anticipated that the New School Project and Overton Elementary will operate as a Pre-K through 8 campus. See “THE PROJECT” herein.

Title Insurance

A mortgagee title insurance policy that insures the County's interest in the Mortgaged Property as owner and names the Trustee as the insured party as the mortgagee will be delivered to the Trustee at the time the 2024 Bonds are executed and delivered. Such title insurance policy will insure that the County has fee simple ownership of the Mortgaged Property, subject only to Permitted Encumbrances, and will be in the amount of 50% of the par amount of the 2024 Bonds. Generally, a claim against a title insurance policy may only be made in an amount which is the lesser of the actual value of the real property and the amount of the title insurance policy.

Enforceability

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

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 AGREEMENTS DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE BOARD OF 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 "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE TRUST AGREEMENT—Acceleration" and "—Additional Remedies on Default" in Appendix C hereto.

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 ("Additional Bonds") may be delivered and secured on a parity with the 2024 Bonds to provide funds, with any other available funds, for paying (1) the cost of completion or improvement of the Project, (2) to the extent permitted by law, the cost of acquisition or construction of any Additional Project, and (3) the cost (including financing costs) of refunding any Bonds or, to the extent permitted by law, refinancing or refunding any Bonds or other indebtedness used to finance the Project or any Additional Project. See the caption "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE TRUST AGREEMENT—Terms and Conditions for Issuance of Bonds" in Appendix C hereto.

AVAILABLE SOURCES FOR PAYMENT

General

The County may pay its obligations under the Trust Agreements from any source of funds or revenues 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 \$187,897,429 and for the Fiscal Year ended June 30, 2024 were \$206,688,965 (unaudited). The County's general fund revenues for the Fiscal Year ending June 30, 2025 are budgeted to be \$238,819,248. General fund revenues are derived from various sources, including property taxes (which accounted for approximately 52% of general fund revenues for the Fiscal Year ended June 30, 2024 (unaudited)), sales taxes, fines and forfeitures, as well as intergovernmental revenues. For the Fiscal Year ended June 30, 2024, the County imposed a property tax of \$0.58 per \$100 of assessed value. The County is imposing a tax rate of \$0.58 per \$100 of assessed value for the Fiscal Year ending June 30, 2025. A rate of \$0.01 per \$100 of assessed value in the Fiscal Years ended June 30, 2023 and June 30, 2024 generated \$1,452,770 and \$1,833,286, respectively. 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 PROJECT

The proceeds of the 2024 Bonds are to be used to provide funds, together with any other available funds, to (a) finance (i) the construction and equipping of the New School Project, (ii) the design, construction and equipping of the Roofing Projects, and (iii) the construction and equipping of the Wilson Elementary Project, and (b) pay certain costs incurred in connection with the issuance and sale of the 2024 Bonds.

The New School Project consists of a new school for grades 3-8 to be constructed on a 45.28-acre parcel at 1625 Park Road West in Salisbury, North Carolina (the former location of Knox Middle School). The approximately 122,130 square-foot school will have a capacity for approximately 850 students. The building will be two stories with 39 total classrooms, including a cafeteria, gymnasium, media center and office space. The plans and specifications for the New School Project were designed by LS3P Associates, Ltd., Raleigh, North Carolina. The New School Project will be constructed by Barnhill Contracting Company (the "Construction Manager At-Risk") pursuant to a Standard Form of Agreement Between Owner and Construction Manager (Construction Manager At-Risk) dated as of March 9, 2020 (the "Original CMAR Contract"), as amended by that certain Change Order #1 dated as of September 10, 2024 (the "GMP Amendment" and, together with the Original CMAR Contract, the "Construction Contract"), each by and between the Rowan-Salisbury Board of Education (the "Rowan-Salisbury School System") and the Construction Manager At-Risk. Under the Construction Contract, the Construction Manager At-Risk has agreed to construct and equip the New School Project for a guaranteed maximum price of \$45,946,509. Construction of the New School Project is expected to begin in October 2024 and be completed in or about June 2026. Prior to the issuance and sale of the 2024 Bonds, the Rowan-Salisbury School System will assign its right, title and interest to the Construction Contract to the County. The New School Project will be leased to and operated by the Rowan-Salisbury School System under a Lease and Agency Agreement dated as of October 1, 2024 (the "Lease and Agency Agreement") between the County and the Rowan-Salisbury School System. Under the Lease and Agency Agreement, the County (a) leases the Site, together with any and all improvements located or to be located thereon, to the Rowan-Salisbury

School System and (b) appoints the Rowan-Salisbury School System as its agent to carry out all phases of the New School Project, including under the Construction Contract. Under the terms of the Lease and Agency Agreement, following completion, the Rowan-Salisbury School System will be responsible for operating and maintaining the New School Project, including costs of insurance, maintenance and repairs, utilities and all other operating costs associated with operating a public school. The term of the Lease and Agency Agreement 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 and Agency Agreement to transfer fee simple title to the New School Project to the Rowan-Salisbury School System.

The Mortgaged Property is comprised of the New School Project only. The Roofing Projects and the Wilson Elementary Project are not included in the Mortgaged Property.

The Roofing Projects consist of the design, construction and equipping of roofing repair and replacement projects at various schools within the Rowan-Salisbury School System, including without limitation, Isenberg Elementary School, JC Carson High School, South Rowan High School, CC Erwin Middle School, China Grove Middle School, China Grove Elementary School, Rockwell Elementary School, West Rowan High School, Granite Quarry Elementary School, Salisbury High School and North Rowan Elementary School. The expected cost of the Roofing Projects, based upon initial engineering estimates, is \$15,241,657. The County's contribution to such costs is expected not to exceed \$16,000,000.

The Wilson Elementary Project consists of the construction and equipping of an addition to Fred L. Wilson Elementary School of the Kannapolis City Schools, which addition will consist of approximately 31,000 square feet and contain 15 classrooms with various support spaces, such as teacher workrooms, offices, student and teacher restrooms, mechanical, electrical and data rooms, two stairways and an elevator. The Wilson Elementary Project will also include renovation within the existing building at Fred L. Wilson Elementary School to remove the existing media center and create new offices, teacher workrooms, small group instruction rooms, and reconfigure existing student and teacher restrooms to be more functional and handicap accessible. Site work at the Wilson Elementary Project is expected to consist of the removal of an existing teacher parking lot within the footprint of the new addition and construction of a new 60-space teacher and staff parking lot that connects to the new addition. The total expected cost of the Wilson Elementary Project is approximately \$15,037,128.80, and the County's contribution to such costs is expected not to exceed \$1,560,000. Substantial completion of the Wilson Elementary Project is expected on or before July 31, 2025.

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	\$67,395,000
Original Issue Premium	<u>5,647,870</u>
Total Sources of Funds	\$73,042,870

Uses:

Project Costs	\$72,560,000
Costs of Issuance ¹	<u>482,870</u>
Total Uses of Funds	\$73,042,870

¹ Includes legal fees, underwriters' compensation, rating agency fees, fees and expenses of the Trustee and financial advisor, title insurance policy premiums and miscellaneous fees and expenses.

TOTAL ANNUAL DEBT SERVICE REQUIREMENTS

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

Fiscal Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 3,360,000	\$ 1,549,713	\$ 4,909,713
2026	3,375,000	2,966,250	6,341,250
2027	3,375,000	2,797,500	6,172,500
2028	3,375,000	2,628,750	6,003,750
2029	3,375,000	2,460,000	5,835,000
2030	3,375,000	2,291,250	5,666,250
2031	3,375,000	2,122,500	5,497,500
2032	3,375,000	1,953,750	5,328,750
2033	3,375,000	1,785,000	5,160,000
2034	3,375,000	1,616,250	4,991,250
2035	3,370,000	1,447,500	4,817,500
2036	3,370,000	1,279,000	4,649,000
2037	3,370,000	1,110,500	4,480,500
2038	3,365,000	942,000	4,307,000
2039	3,365,000	807,400	4,172,400
2040	3,365,000	672,800	4,037,800
2041	3,365,000	538,200	3,903,200
2042	3,365,000	403,600	3,768,600
2043	3,365,000	269,000	3,634,000
2044	<u>3,360,000</u>	<u>134,400</u>	<u>3,494,400</u>
Total	\$67,395,000	\$29,775,363	\$97,170,363

BONDHOLDERS' RISKS

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 Agreements, the Trustee may accelerate the principal with respect to the 2024 Bonds and any Additional 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 it under the terms of the Deed of Trust. See “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE DEED OF TRUST—Remedies of the Deed of Trust Trustee Upon Default” in Appendix C hereto. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE OUTSTANDING BONDS ON A DEFAULT OR A NONAPPROPRIATION BY THE COUNTY UNDER THE TRUST AGREEMENTS ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA. 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 DUE ON THE OUTSTANDING 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 AGREEMENTS, 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 AGREEMENTS, INCLUDING FORECLOSURE UNDER THE DEED OF TRUST.

Nonappropriation of Moneys to Pay Payments

The appropriation of moneys to make payments pursuant to the Trust Agreements is within the sole discretion of the Board of Commissioners. If an Event of Nonappropriation occurs with respect to the Trust Agreements, the only sources of payment of the 2024 Bonds and any Additional Bonds will be the moneys, if any, available in the funds and accounts held by the Trustee under the Trust Agreements and the proceeds of any attempted disposition of the Mortgaged Property under the Deed of Trust. The amount of such proceeds will be affected by (1) the condition of the Mortgaged Property, (2) periodic releases of portions of the Mortgaged Property from the lien as permitted under the Deed of Trust and the Trust Agreements and (3) the occurrence of any damage, destruction or loss of the Mortgaged Property which is not repaired or replaced and for which there are not received or appropriated moneys from insurance policies or condemnation awards.

Environmental Risks

The Mortgaged Property consists of the Site and any improvements located or to be located thereon. The Site is the location of the former Knox Middle School, which opened in 1958 and closed in 2023. The Site is also the location of the existing Overton Elementary and Horizons Unlimited. The County has not conducted and does not plan to conduct a Phase I environmental site assessment on the Mortgaged Property in connection with the issuance of the 2024 Bonds. The County is not aware of any environmental contamination on the Site.

The County has represented and warranted that the Mortgaged Property is in compliance with all Environmental Laws and has agreed to use the Mortgaged Property in strict accordance with all Environmental Laws. In the event the County discovers or receives notice with regard to Hazardous Materials on, from or affecting the Mortgaged Property, it is obligated to conduct and complete all investigations, sampling, and testing, and all remedial, removal, and other actions necessary to clean up and remove all Hazardous Materials on, from or affecting the Mortgaged Property to the extent required by and in accordance with all applicable Environmental Laws. If the County were unable to continue operation of any part of the Mortgaged Property because of environmental contamination of the Mortgaged Property, the value of the Mortgaged Property at foreclosure would be reduced by the cost of any clean-up.

Value of Collateral

The County's estimated value of the Mortgaged Property (as further described under the caption above "THE PLAN OF FINANCE") is \$54,307,497 after completion of the construction and equipping being financed with proceeds of the 2024 Bonds. In addition, the County assessor has assigned a value of \$1,348,934 to the land at the Site, and \$5,923,371 to the Overton Elementary building. 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 of 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.

No representation is made as to the value of the County's interest in the Mortgaged Property in foreclosure.

Bankruptcy

Under North Carolina law, a local governmental unit may not file for bankruptcy protection without the consent of the LGC and satisfaction of the requirements of certain provisions of the United States Bankruptcy Code. If bankruptcy proceedings were initiated by the County with the consent of the LGC, the bankruptcy proceedings could have adverse effects on owners of the 2024 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2024 Bonds. The effect of the provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the 2024 Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy. Other than bankruptcy, North Carolina law provides that the LGC has authority to intervene in the financial affairs, including taking full control thereof, of any local government unit, including the County, if the unit defaults, or in the opinion of the LGC will default, on future debt service payments.

Outstanding General Obligation Debt of the County

The County has general obligation bonds outstanding and may issue general obligation bonds and notes in the future. The County has pledged and may pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes issued or to be issued. See "DEBT INFORMATION" in Appendix A for a description of the County's outstanding general obligation bonds and notes. Funds which may otherwise be available to make payments pursuant to the Trust Agreements 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.

Cybersecurity

The County, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats including, 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 cyberattacks, the County invests in multiple forms of cybersecurity and operational safeguards.

While the County's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the County 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 Related Risks

The County is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes and has experienced multiple 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.

CONTINUING DISCLOSURE

In the First Supplemental Trust Agreement, the County will undertake, for the benefit of the beneficial owners of 2024 Bonds to provide to the Municipal Securities Rulemaking Board (the “MSRB”):

(a) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2024, 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 of the County are not available by seven months from the end of such Fiscal Year, 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;

(b) by not later than seven months from the end of each Fiscal Year, commencing 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 in the tables under the headings “THE COUNTY - Debt Information” and “- Tax Information” (excluding any information on underlying units) in Appendix A to this Official Statement, to the extent such items are not included in the audited financial statements referred to in (a) above;

(c) in a timely manner not in excess of ten business day after the occurrence of the event, notice of any of the following events with respect to the 2024 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, 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;
- (7) modification to the rights of the beneficial owners of the 2024 Bonds, if material;

- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the 2024 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the County;
- (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional Trustee or the change of name of the Trustee, if material;
- (15) 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, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties; and

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

For purposes of this Section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

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

The First Supplemental Trust Agreement will also provide that if the County fails to comply with the undertaking described above, the Trustee or any beneficial owner of the 2024 Bonds may take action to

protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking will not be an Event of Default under the Trust Agreement and will not result in any acceleration of the 2024 Bonds. All actions shall be instituted and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the 2024 Bonds.

Pursuant to the First Supplemental Trust Agreement, the County will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the County, provided that;

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

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

(c) any such modification does not materially impair the interests of the Owners of the 2024 Bonds, as determined by the Trustee, or by the approving vote of the Owners of a majority in principal amount of the 2024 Bonds then Outstanding pursuant to the terms of the Trust Agreement at the time of the amendment.

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

The undertaking described above will terminate upon payment, or provision having been made for payment in, in full, of the principal of and interest on all of the 2024 Bonds.

The County timely filed unaudited financial statements and operating data for the Fiscal Year ended June 30, 2020 on January 28, 2021, but required information with respect to general obligation debt ratios and the largest taxpayers in the County was not included in such filings. Such information was included in the audited financial statements of the County for the Fiscal Year ended June 30, 2020 filed on April 20, 2021. Such audited annual financial statements were filed more than 15 days after such audited financial statements became available for distribution. The County did not file a notice of failure to file with respect to the foregoing. Except as described above, 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.

LEGAL MATTERS

Certain legal matters relating to the authorization, execution, sale and delivery of the 2024 Bonds are subject to the approval of McGuireWoods LLP, Raleigh, North Carolina, as Bond Counsel. The proposed form of the approving legal opinion of Bond Counsel is included in Appendix D hereto. Certain legal matters will be passed upon for the County by John W. Dees, II, Esq., Rowan County Attorney, Salisbury, North Carolina, and for the Underwriters by Pope Flynn, LLC, Charlotte, North Carolina, counsel to the Underwriters.

TAX TREATMENT

Bond Counsel's opinion regarding the federal income tax status of the interest on the 2024 Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the 2024 Bonds (i) is excludable from gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Form of Opinion of Bond Counsel" in Appendix D hereto.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the excludability of interest on the 2024 Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the County or about the effect of future changes in the Code, the applicable regulations, or the interpretation or the enforcement thereof by the Internal Revenue Service (the "IRS") and the courts.

Although Bond Counsel is of the opinion that interest on the 2024 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 2024 Bonds may otherwise affect the federal tax liability of an owner of the 2024 Bonds. The nature and extent of these other federal tax consequences depend on the owner's particular tax status and levels of other income or deductions. Bond Counsel will express no opinion regarding any such other tax consequences and prospective purchasers of the 2024 Bonds should consult their own tax advisors with respect thereto.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the federal income tax treatment of interest on the 2024 Bonds, Bond Counsel is relying upon certifications of representatives of the County, the purchaser of such 2024 Bonds, and other persons as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the 2024 Bonds in order for interest on the 2024 Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the 2024 Bonds and the use of the property financed or refinanced by the 2024 Bonds, limitations on the source of the payment of and the security for the 2024 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the 2024 Bonds to the United States Treasury. The tax compliance certificate for the 2024 Bonds to be entered into by the County (the "Tax Certificate") contains covenants (the "Covenants") with which the County has agreed to comply. Failure by the County to comply with the Covenants could cause interest on the 2024 Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure were to occur, the available enforcement

remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the 2024 Bonds from becoming includable in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the 2024 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted subject to the terms and conditions set forth in the Tax Certificate. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2024 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of the 2024 Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the 2024 Bonds.

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, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the “branch profits tax,” individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Premium

2024 Bonds purchased in the initial public offering with yields lower than their applicable interest rates, as shown on the inside cover page hereof, have been sold with “bond premium.” Each such 2024 Bond is referred to below as an “OIP Bond.” The excess of (i) the owner’s basis in the OIP Bond immediately after acquisition over (ii) the amount payable at maturity (excluding qualified stated interest) as determined under Section 171 of the Code constitutes the amount of the bond premium. Under the Code, the bond premium is amortized based on the owner’s yield over the remaining term of the OIP Bond (or, in the case of certain callable OIP Bonds, to an earlier call date that results in a lowest yield on the OIP Bond). The owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period against the bond premium allocable to that period. No deduction is allowed for such amortization of bond premium even though the owner is required to decrease the adjusted basis in the owner’s OIP Bond by the amount of the amortizable bond premium, which will result in an increase in the gain (or decrease in the loss) recognized for federal income tax purposes upon a sale or disposition of the OIP Bond prior to its maturity.

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto,

and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

Information Reporting and Backup Withholding

Prospective purchasers should be aware that the interest on the 2024 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2024 Bonds may be subject to backup withholding if the interest is paid to an owner who or which (i) is not an “exempt recipient” and (ii) (A) fails to furnish an accurate U.S. taxpayer identification number in the manner required, (B) has been notified of a failure to report all interest and dividends required to be shown on federal income tax returns or (C) fails to certify under penalty of perjury that the owner is not subject to withholding. Individuals generally are not exempt recipients, although corporations and other entities generally are.

The reporting and backup withholding requirements do not in and of themselves affect the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes, and amounts withheld under the backup withholding rules may be refunded or credited against the owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Internal Revenue Service Audits

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the 2024 Bonds, the IRS will, under its current procedures, treat the County as the taxpayer. As such, the beneficial owners of the 2024 Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the 2024 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the 2024 Bonds.

Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Opinion of Bond Counsel – North Carolina Income Tax Status of Interest

Bond Counsel’s opinion will also state that, under existing law, the interest on the 2024 Bonds is exempt from all present State of North Carolina income taxes. Bond Counsel will express no opinion regarding (a) other North Carolina tax consequences arising with respect to the 2024 Bonds or (b) any consequences arising with respect to the 2024 Bonds under the tax laws of any state or local jurisdiction other than North Carolina. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding the tax status of interest on the 2024 Bonds in a particular state or local jurisdiction other than North Carolina.

LITIGATION

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

RATINGS

Moody's Investors Service, Inc. and Fitch Ratings, 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.

FINANCIAL ADVISOR

First Tryon Advisors has served as financial advisor (the "Financial Advisor") to the County with respect to the sale of the 2024 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the 2024 Bonds is contingent on the issuance and delivery of the 2024 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendixes thereto.

UNDERWRITING

The Underwriters have entered into a Bond 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 thereof, plus original issue premium of \$5,647,869.90, and less an underwriters' discount of \$145,950.79. The obligation of the Underwriters to pay for the 2024 Bonds is subject to certain terms and conditions set forth in the Bond 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 cover hereof. The public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the County in connection with such activities.

Truist Securities, Inc., one of the Underwriters of the 2024 Bonds, has entered into an agreement (the "Truist Distribution Agreement") with Truist Investment Services, Inc. ("TIS") for the retail distribution of certain municipal securities offerings, including the 2024 Bonds. Pursuant to the Truist Distribution Agreement, Truist Securities, Inc. will share a portion of its underwriting compensation, as applicable, with respect to the 2024 Bonds with TIS. Each of Truist Securities, Inc. and TIS is a subsidiary of Truist Financial Corporation.

"Truist Securities" is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by Truist Securities, Inc., member FINRA and SIPC. Lending, financial risk management, and treasury management and payment services are offered by Truist Bank. Deposit products are offered by Truist Bank, a member

of FDIC. In its normal course of business Truist Bank may currently, or in the future, provide credit, treasury management, or other commercial banking services to the County.

RELATED PARTIES

McGuireWoods LLP serves as bond counsel to the County, and, from time to time, it and Pope Flynn, LLC, counsel to the Underwriters, have represented the Underwriters as counsel in other financing transactions. Neither the County nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the County or for the Underwriters on the successful issuance of the 2024 Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. The delivery of this Official Statement and its distribution and use by the Underwriter have been duly authorized and approved by the County.

APPENDIX A

**INFORMATION RELATING TO THE
COUNTY OF ROWAN, NORTH CAROLINA**

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THE COUNTY

GENERAL DESCRIPTION

Rowan County (the “County”) was established in 1753 and is located in the southern piedmont region of North Carolina. It lies approximately 50 miles southwest of Greensboro and the Piedmont Triad Region, and 42 miles northeast of Charlotte.

The County, founded by Scotch-Irish and German settlers, encompasses approximately 511 square miles. The County is bounded on the west by Iredell County, on the north by Davie County and Davidson County, and on the south by Cabarrus County and Stanly County. The Yadkin River serves as the boundary between the County, Davidson County and Davie County.

There are 10 municipalities in the County, the largest of which is Salisbury (the County seat), with a population of approximately 35,905 as of June 30, 2023. The other municipalities are China Grove, Cleveland, East Spencer, Faith, Granite Quarry, Kannapolis, Landis, Rockwell and Spencer.

DEMOGRAPHIC CHARACTERISTICS

According to the United States Department of Commerce, Bureau of the Census, the population of the County has been recorded to be as follows:

<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
110,605	129,217	138,428	146,875

In addition, the North Carolina Office of State Budget and Management has estimated the County’s population as of July 1, 2022 to be 150,714.

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2018	\$37,204	\$46,040	\$53,309
2019	39,146	48,366	55,547
2020	41,866	51,781	59,153
2021	46,221	56,705	64,430
2022	46,990	58,109	65,470

Source: United States Department of Commerce, Bureau of Economic Analysis. Most recent available data.

COMMERCE AND INDUSTRY

Economic Outlook. Situated between Charlotte, North Carolina and the Piedmont Triad Region of North Carolina, the County is part of the growing corridor along I-85. The County’s economy has evolved over the last 30 years from a largely agricultural and textile-based economy to a diverse mix of agriculture, manufacturing, distribution, commercial and service sectors.

Total taxable sales in the County for the six Fiscal Years ended June 30, 2019 through 2024 are shown in the following table:

<u>Fiscal Year</u>	<u>Total Taxable Sales</u>	<u>Increase (Decrease) Over Previous Year</u>
2019	\$1,464,293,243	12.75%
2020	1,492,454,595	1.92
2021	1,716,383,069	15.00
2022	1,982,286,987	15.49
2023	2,224,934,402	12.24
2024 ¹	2,296,186,458	3.20

¹ Preliminary; subject to rounding.

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

The following table illustrates building activity in the County:

<u>Fiscal Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Total</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
2020	536	\$161,840,249	51	\$115,462,471	587	\$277,302,720
2021	666	201,612,504	36	15,269,523	702	216,882,027
2022	772	218,763,452	33	56,121,987	805	274,885,439
2023	559	218,853,114	68	191,130,225	627	409,983,339
2024	622	240,018,940	68	142,680,984	690	382,699,924

Source: Rowan County Building Inspections.

In May 2024, Amrep Manufacturing Company, a producer of waste collection trucks, announced plans to expand its operations, adding 170 jobs and investing more than \$21 million in the County. The new building will be an 80,000-square-foot production space.

In December 2023, logistics provider DHL Supply Chain announced plans to invest more than \$40 million to expand its operations to a new warehouse at the Innovation Logistics Center in the County. The expansion is expected to create 80 jobs at the 713,000 square-foot warehouse.

In March 2022, Macy's Inc. announced plans to invest more than \$584 million to build its first automated fulfillment center. Once fully operational, the company plans to create 2,800 new jobs in the County.

In October 2022, Fab-Con Machinery Development Corporation, a manufacturer of textile finishing equipment, announced plans to relocate its headquarters and manufacturing operation to the County, creating 27 new jobs and investing \$5.3 million.

In August 2022, Eastern Wholesale Fence, a New York-based manufacturer and distributor of residential and commercial fence products, announced plans for an expansion at its County facility in the Mid-South Industrial Park, including the addition of 40 new jobs and an investment of \$10.5 million in new equipment. The company first located in the County in 2020.

Employment. The following table provides information about 10 current principal employers located in the County.

Company/Institution	Product/Service	Number of Employees
VA Medical Center	Health Services	4,626
Ahold Delhaize Food Lion	Retail Trade, Transportation	3,703
Rowan Salisbury Schools	Education	2,800
Daimler Trucks North America	Manufacturing	2,000
Novant Health Rowan Medical Center	Health Services	1,802
Rowan County	Public Administration	877
Chewy Inc.	Retail Trade	800
Gildan Yarns, LLC	Manufacturing	562
Teijin	Manufacturing	506
Rowan Cabarrus Community College	Education	404

Source: County FY 2023 ACFR.

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

Year	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
2019	4.6%	4.3%	4.1%	3.6%	3.9%	4.2%	4.2%	4.2%	3.6%	3.8%	4.0%	4.0%
2020	4.4	4.1	4.9 ¹	15.8 ¹	13.9 ¹	10.6	9.8	7.3	6.7	5.7	5.7	5.9
2021	6.4	6.2	5.6	6.6	5.2	5.6	5.1	4.9	4.2	4.2	3.9	3.3
2022	4.1	3.8	3.5	3.3	3.5	3.9	3.9	4.0	3.4	3.6	3.6	3.2
2023	3.7	3.7	3.4	2.9	3.3	3.5	3.5	3.7	3.2	3.3	3.3	3.1
2024	3.5	3.5	3.6	3.2	3.4	3.9 ²						

¹ Onset of the COVID-19 Pandemic.

² Most recent numbers available.

Source: North Carolina Employment Security Commission website.

GOVERNMENT AND MAJOR SERVICES

Government Structure. The County operates under the Commissioner-Manager form of government with a governing board consisting of five commissioners who serve four-year staggered terms, with new members (two or three) elected every two years. The County Manager serves at the pleasure of the Board of Commissioners (the “Board”) as the County’s chief executive officer. The Board is responsible for, among other things, approving ordinances, adopting a balanced budget, appointing committees, and hiring both the County Manager and County Attorney.

Education. There are two school administrative units in the County: Rowan-Salisbury Schools and Kannapolis City Schools. The Rowan-Salisbury Board of Education is made up of an elected, non-partisan, seven-member board as its policy making authority. The Kannapolis City Board of Education is comprised of one member from the County section of the school district and four members from the Cabarrus County section of the school district since the school district includes areas in both counties. These board members service four-year staggered terms.

The following two tables show the number of schools and the average daily membership (“ADM”) in each school system for the last five years.

Rowan-Salisbury Schools

<u>School Year</u>	<u>Grades K-5</u>		<u>Grades 6-8</u>		<u>Grades 9-12</u>	
	<u>Number</u>	<u>ADM</u>	<u>Number</u>	<u>School Year</u>	<u>Number</u>	<u>ADM</u>
2019-20	20	8,415	7	4,357	8	5,999
2020-21	20	8,296	7	4,529	8	5,931
2021-22	20	7,881	7	4,568	8	5,953
2022-23	20	8,017	7	4,124	8	6,255
2023-24	20	8,037	7	3,898	8	6,245

Note: ADM is determined by actual records at each school. ADM is computed in North Carolina on a uniform basis for all public school units. The ADM computations are used as a basis for teacher allotments.

Kannapolis City Schools

<u>School Year</u>	<u>Grades K-5</u>		<u>Grades 6-8</u>		<u>Grades 9-12</u>	
	<u>Number</u>	<u>ADM</u>	<u>Number</u>	<u>School Year</u>	<u>Number</u>	<u>ADM</u>
2019-20	6	2,451	1	1,302	1	1,618
2020-21	6	2,393	1	1,343	1	1,590
2021-22	6	2,404	1	1,310	1	1,628
2022-23	6	2,411	1	1,234	1	1,723
2023-24	6	2,415	1	1,174	1	1,757

Note: ADM is determined by actual records at each school. ADM is computed in North Carolina on a uniform basis for all public school units. The ADM computations are used as a basis for teacher allotments.

For the Fiscal Year ended June 30, 2024, the County appropriated \$40,801,761 and \$2,820,745 to Rowan-Salisbury Schools and Kannapolis City Schools, respectively. The distribution of County appropriations is based on ADM of the two school systems.

North Carolina law provides for a basic minimum educational program for each school administrative unit or district. The minimum program provides funds for operational costs only. The financing of public school facilities within the County is primarily the responsibility of the County.

The County is home to four colleges. Catawba College continues to be ranked among the top 10 best regional colleges in the South by U.S. News & World Reports. Catawba College is ranked sixth, and this is the seventh consecutive year that Catawba College has received a top 10 ranking.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College ("RCCC") and Cabarrus County, participates in a joint venture to operate RCCC. RCCC has total enrollment of over 22,000 students and offers associate degree programs in more than 40 areas of study. The County has the basic responsibility for providing funding for the facilities of RCCC and also provides some financial support for RCCC's operations. In addition to providing annual appropriations for facilities, the County periodically issues debt to provide financing for new and restructured facilities. The amount of outstanding debt issued for this purpose was \$3,150,000 at June 30, 2024. Statutorily, the County has an ongoing financial responsibility to provide funding for RCCC's facilities. The County contributed \$1,428,420 and \$2,978,636 to RCCC for capital and operating purposes, respectively, during the Fiscal Year ended June 30, 2023, and the County contributed \$300,000 (unaudited) and \$3,178,636 (unaudited) to RCCC for capital and operating purposes, respectively, during the Fiscal Year ended June 30, 2024.

Transportation. Major expansion and maintenance of primary and secondary highways within the County are primarily the responsibility of the State. Municipalities within the County bear the responsibility for local street systems. The County has no responsibility for the construction or maintenance of streets or highways.

The County is served by I-85, a major north-south interstate artery. I-77 and I-40 meet 15 miles from the County line, making three interstates available to the County. US routes 70, 601, 52, and 29 and N.C. 150 converge in Salisbury.

Mid-Carolina Regional Airport, located three miles southwest of the central business district in Salisbury, is a general aviation airport offering a variety of aircraft services including business and recreational aviation and a 5,500-foot night-lighted runway. Many aircraft based there are corporate carriers for local industries. The following airports are within one-hour driving distance: Charlotte Douglas International Airport in Charlotte, and the Piedmont Triad International Airport in Greensboro.

Several passenger transportation services are offered within the County. The Rowan Transit System, a non-emergency community program for County citizens, is operated by the County. The City of Salisbury operates fixed-route buses within Salisbury and to nearby towns. Other transportation operations within the County include Amtrak railways, Greyhound bus lines, taxis and chartered services.

Numerous interstate truck lines and the Norfolk Southern Railway offer freight services to the County and surrounding regions.

Hospital and Medical Facilities. Novant Health Rowan Medical Center, formerly Rowan Regional Medical Center, located in Salisbury, is a 266-bed not-for-profit medical center and the fourth largest hospital in the Novant Health system. In 2017, Rowan Medical Center became the first facility of Novant Health to have a mobile coach outfitted with 3-D mammography. The Novant Health Wallace Cancer Institute, a state-of-the art comprehensive cancer treatment center, opened its doors in 2020, providing County residents with life-giving care close to home. Services range from alcohol and drug treatment to cardiology, cancer care, emergency medicine, orthopedics, neurosurgery, rehabilitation and women's health services.

The W. G. (Bill) Hefner Veterans Affairs Medical Center ("Hefner VAMC") in Salisbury provides inpatient and ambulatory services for primary and specialty care, as well as ancillary and diagnostic services to eligible veterans in the Central Piedmont geographical region of North Carolina. Inpatient services at Hefner VAMC include acute medicine, surgery, psychiatry and extended care. A wide range of therapeutic services are provided to both inpatients and outpatients, including physiatry, physical therapy, occupational and recreational therapy and kinesitherapy. Primary and specialized outpatient services are provided at the Hefner VAMC complex and outpatient clinics in Charlotte, Hickory and Winston-Salem. Hefner VAMC has 260 operating beds, which includes a 109-bed community living center, 29 medical beds, 11 surgical beds, 46 psychiatric beds, a 58-bed domiciliary unit, and 8 beds in its compensated work therapy/transitional residence. The population of the primary service area has approximately 287,000 veterans, covering a 21-county area of the Central Piedmont Region of North Carolina. Hefner VAMC has a growing, funded applied clinical research and development program that enhances its ability to provide state-of-the-art treatments to veterans and helps attract and retain quality staff. Hefner VAMC has an active affiliation with Wake Forest University School of Medicine, with residents in dermatology, psychiatry, ophthalmology, otolaryngology, neurology, infectious diseases, family medicine, urology and surgery. In addition, Hefner VAMC has an active affiliation with the Edward Via Virginia College of Osteopathic Medicine for the training of third and fourth year medical students.

Human Services. The County provides health, mental health, senior services, veteran services and other human services. The County appropriated \$31,193,874 and \$34,300,528 (unaudited) to these services in the Fiscal Years ended June 30, 2023 and June 30, 2024, respectively. The Rowan County Health Department provides many specialized clinical services in the areas of dental health, women’s health, maternal health, child health, adult health and communicable diseases. It also performs sanitary inspections for environmental health protection.

Other Services. The Rowan County Department of Emergency Services is comprised of the Emergency Medical Service (EMS), Fire Marshal and Emergency Management divisions. In addition, the Department of Emergency Services coordinates emergency activities with the County’s Enhanced 9-1-1 Telecommunications Center, the Rowan County Rescue Squad and other agencies providing emergency services within the County. The County appropriated \$13,686,204 and \$23,069,304 (unaudited) for services provided by these divisions for the Fiscal Years ended June 30, 2023 and June 30, 2024, respectively.

The Rowan County Solid Waste Landfill Facility began operations in December 1989. The Landfill is located on 375 acres of property owned by the County in Woodleaf, North Carolina and is a 415-ton per day landfill. The landfill is self-supporting and does not operate from County taxes. Based on current waste disposal rates, the present site of the landfill should satisfy the solid waste disposal needs of the County for at least the next 50 years.

Water and Sewer Infrastructure. Salisbury-Rowan Utilities is the County’s primary water provider, serving all municipalities in the County except Faith and Cleveland. Maximum daily capacity is 18,000,000 gallons per day (“GPD”) with an average demand of 9,240,000 GPD. Surplus is 8,760,000 GPD above average demand. The Yadkin River provides Salisbury with its water with an average daily flow of 2 billion gallons per day. Salisbury-Rowan Utilities is also the County’s primary sewer treatment provider serving all municipalities except Cleveland. Salisbury-Rowan Utilities has two sewage treatment facilities with a total capacity of 12,500,000 GPD. Average daily volume used is 8,070,000 GPD, leaving an excess capacity of 4,430,000 GPD.

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 general obligation debt in the approximate amount of \$1,510,182,318 as of June 30, 2024. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see *Appendix B*.

Outstanding General Obligation Debt.

	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>	June 30, <u>2024</u>
General Obligation Bonds				
Community College	\$4,960,000	\$4,130,000	\$3,300,000	\$2,475,000

General Obligation Debt Ratios.

<u>At July 1</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population¹</u>	<u>Total GO Debt Per Capita</u>
2019	\$6,620,000	\$12,487,382,339	0.05%	145,847	\$45.39
2020	5,790,000	13,774,097,186	0.04	147,300	39.31
2021	4,960,000	14,091,944,639	0.04	148,565	33.39
2022	4,130,000	14,266,159,392	0.03	150,714	27.40
2023	3,300,000	14,775,939,772	0.02	150,714 ²	21.90
2024	2,475,000	19,828,081,350 ³	0.01	150,714 ²	16.42

¹ Estimated by North Carolina Office of State Budget and Management (latest available).

² For purposes of this table, the 2022 population is used.

³ Unaudited.

General Obligation Debt Service Requirements.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$825,000	\$61,875	\$886,875
2026	825,000	37,125	862,125
2027	825,000	12,375	837,375
Total	\$2,475,000	\$111,375	\$2,586,375

General Obligation Bonds Authorized and Unissued.

<u>Purpose</u>	<u>Date Approved</u>	<u>Authorized and Unissued</u>
Community College	3-3-2020	\$45,000,000

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

<u>Unit</u>	<u>2022 Population¹</u>	<u>Assessed Valuation²</u>	<u>Tax Rate Per \$100²</u>	<u>Total GO Debt</u>	<u>Total GO Debt Per Capita</u>
East Spencer	1,606	\$ 124,753,470	0.66	\$1,323,000	\$823.79
Faith	840	77,668,293	0.41	1,153,000	1,372.62
Salisbury	36,661	1,438,087,559	0.7196	--	--
Spencer	3,361	265,819,789	0.655	--	--

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, 2022 for East Spencer.

³ Does not include installment financing agreements, revolving loans and revenue bonds as these obligations are not general obligations.

Other Long-Term Commitments. At July 1, 2024, the County had \$73,589,394 in principal amount of non-general obligation long-term debt. A table showing the amount of principal and interest required to be paid with respect to the 2024 Bonds is shown under “**TOTAL ANNUAL DEBT**”

SERVICE REQUIREMENTS” in the Official Statement. The County’s combined non-general obligation long-term debt commitments are shown below.

	Governmental Activities ¹	Business-Type Activities ²	Aggregate Total
Fiscal Year	Principal & Interest	Principal & Interest	Debt Service
2025	\$10,185,575	\$ 1,836,736	\$12,022,311
2026	9,494,980	1,836,665	11,331,645
2027	9,141,272	1,554,684	10,695,956
2028	8,268,928	1,554,101	9,823,029
2029	6,487,619	1,554,674	8,042,292
2030	4,317,779	1,554,272	5,872,051
2031	2,451,461	1,553,850	4,005,311
2032	2,383,381	1,554,321	3,937,702
2033	2,315,301	1,554,553	3,869,854
2034	2,246,221	1,554,183	3,800,404
2035	2,178,177	1,554,087	3,732,263
2036	2,110,133	1,554,289	3,664,422
2037	2,042,088	1,554,718	3,596,806
2038	<u>1,974,044</u>	<u>1,554,300</u>	<u>3,528,344</u>
Total	\$65,596,959	\$22,325,431	\$87,922,389

¹ Includes non-general obligation debt expected to be paid from the County’s Governmental Funds.

² Includes non-general obligation debt expected to be paid from the County’s Enterprise Funds.

Note: Totals may not foot due to rounding.

Debt Outlook.

The County expects to issue \$45,000,000 in referendum-approved general obligation bonds to finance RCCC facilities in the 2nd quarter of 2025. The County also expects to enter into installment financing agreements to finance the South EMS Station (\$7,500,000) and a telecom project (\$6,500,000) in the first half of 2025.

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	\$10,346,424,501	\$10,484,368,093	\$10,664,582,398	\$15,600,332,129	\$15,911,251,460
Personal Property	2,930,188,930	2,943,812,382	3,230,412,667	3,287,528,061	3,355,113,560
Public Service Companies ²	815,331,208	837,978,917	880,944,707	940,221,160	902,612,313
Total Assessed Valuation	<u>\$14,091,944,639</u>	<u>\$14,266,159,392</u>	<u>\$14,775,939,772</u>	<u>\$19,828,081,350</u>	<u>\$20,168,977,333</u>
Rate per \$100	0.6575	0.6575	0.6575	0.58	0.58
Levy	\$ 92,767,356	\$ 93,903,665	\$ 97,260,855	\$ 116,577,668	\$ 116,980,068

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.

Note: The next revaluation of real property will become effective with the 2028 tax levy.

In addition to the County-wide rate, the following table lists the levies by the County on behalf of fire protection districts for the Fiscal Years ended June 30:

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$6,652,361	\$6,843,785	\$7,477,089	\$8,026,137	\$10,681,461

Tax Collections.

<u>Fiscal Year</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2020	\$ 88,286,427	97.39%
2021	90,904,737	97.99
2022	92,123,977	98.10
2023	95,629,931	98.32
2024 ¹	106,269,930	98.46

¹ Unaudited.

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

<u>Name</u>	<u>Type of Business</u>	<u>2022 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Duke Energy Corporation	Utilities	\$637,153,260	4.32%
Southern Power (Rowan County Power, LLC)	Utilities	285,268,284	1.93
Delhaize America Distribution/Food Lion	Food Service	157,519,717	1.07
Daimler Trucks North America	Vehicle Manufacturing	145,952,579	0.99
Gildan Yarns, LLC	Manufacturing	102,073,068	0.69
Chewy Inc.	Pet Food Retail	56,355,162	0.38
Aldi, Inc.	Food Service	48,573,049	0.33
Piedmont Natural Gas Co. Inc.	Utilities	46,932,435	0.32
Transcontinental Pipeline	Natural Gas Transmission	42,672,287	0.29
Henkel US Operation	Manufacturing	41,289,057	<u>0.28</u>
			10.59%

2023-24 BUDGET COMMENTARY

The Board adopted an original budget ordinance for all funds of \$242,428,247 for the Fiscal Year ended June 30, 2024. The adopted General Fund budget totaled \$198,247,750. The appropriated fund balance in the General Fund was budgeted at \$10,947,265. The budget for the Fiscal Year ended June 30, 2024 was based on an overall increase in the tax base of 31.75% from the Fiscal Year ended June 30, 2023 with an estimated valuation of \$18,707,900,000. The County's tax rate decreased from \$0.6575 per \$100 dollars assessed valuation to \$0.58 per \$100 dollars assessed valuation. The budget for the Fiscal Year ended June 30, 2024 included a growth of \$1,900,000 in sales tax collections over the estimated collections for the Fiscal Year ended June 30, 2023, or 5.6% above what was budgeted for the Fiscal Year ended June 30, 2023.

For the Fiscal Year ended June 30, 2024, the County collected 98.46% or \$106,269,930 (unaudited) of its ad valorem tax budget for the Fiscal Year ended June 30, 2024. Total revenues, excluding transfers, totaled \$206,688,550 (unaudited) as of June 30, 2024 and represented 90.4% of the revised General Fund budget. The County did not utilize appropriated fund balance as originally budgeted. General Fund expenditures, excluding transfers, equaled \$181,907,592 (unaudited) as of June 30, 2024 and represented 81.2% of the total revised General Fund budget.

2024-25 BUDGET OUTLOOK

The General Fund budget for the Fiscal Year ending June 30, 2025 is based on an overall increase in the tax base of 7.57% from the Fiscal Year ended June 30, 2024 with an estimated valuation of \$20,125,000,000. The County's tax rate remained at \$0.58 per \$100. Total current and delinquent tax collections of \$108,500,000 are budgeted for the Fiscal Year ending June 30, 2025. The General Fund budget was prepared with the assumption that the tax department will continue to collect 98% of the levy (excluding registered motor vehicles). The budget for the Fiscal Year ending June 30, 2025 includes a growth of 12.35% in sales tax collections over the estimated collections for the Fiscal Year ended June 30, 2024.

Total budgeted expenditures and transfers to other funds in the General Fund increases 16.99% for a total of \$238,819,248. The General Fund budget for the Fiscal Year ending June 30, 2025 includes funding for a 4% cost of living adjustment for employees with 2% paid in July 2024 and 2% paid in January 2025, as well as a \$659,256 pay scale adjustment for employees.

PENSION PLANS

The County participates in the North Carolina Local Governmental Employees' Retirement System "LGERS").

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

LGERS provides, on a uniform LGERS-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The contribution rate for the County was 12.10% of eligible payroll for general employees and 13.10% of eligible payroll for law enforcement officers for the Fiscal Year ended June 30, 2023. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins LGERS.

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 any age with 30 years of creditable service. Members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to LGERS are determined on an actuarial basis.

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.

For additional information concerning the County’s participation in LGERS, and other pension plans which the County administers or in which the County participates (the Law Enforcement Officers’ Special Separation Allowance, the Supplemental Retirement Income Plan of North Carolina and the Register of Deeds Supplemental Pension Fund) see the Notes to the County’s Audited Financial Statements in Appendix A.

OTHER POST-EMPLOYMENT BENEFITS

Under the terms of a County resolution adopted on December 1, 2002, the County administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”) to retirees of the County who (a) qualify for unreduced retirement benefits from LGERS, (b) have at least 20 consecutive years of creditable service with the County, (c) are at least 55 years of age at the time of retirement, and (d) are not eligible for Medicare coverage through the Social Security Administration. On January 21, 2012, the HCB Plan was amended to exclude the participation of employees hired after the amendment date. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for benefits of eligible retirees, and the County’s eligible retirees can purchase coverage for their dependents at the County’s group rates. The County Board of Commissioners may amend the benefits provisions. As of June 30, 2023, there were 279 HCB Plan members receiving benefit payments. The County’s total other post-employment benefit liability was \$31,016,571 measured as of June 30, 2022, and was determined by 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 does not have any litigation pending or other contingent liability which would materially and adversely affect the County’s ability to meet its financial obligations.

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APPENDIX B

FINANCIAL STATEMENTS OF ROWAN COUNTY, NORTH CAROLINA

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ROWAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rowan County, North Carolina (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of 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

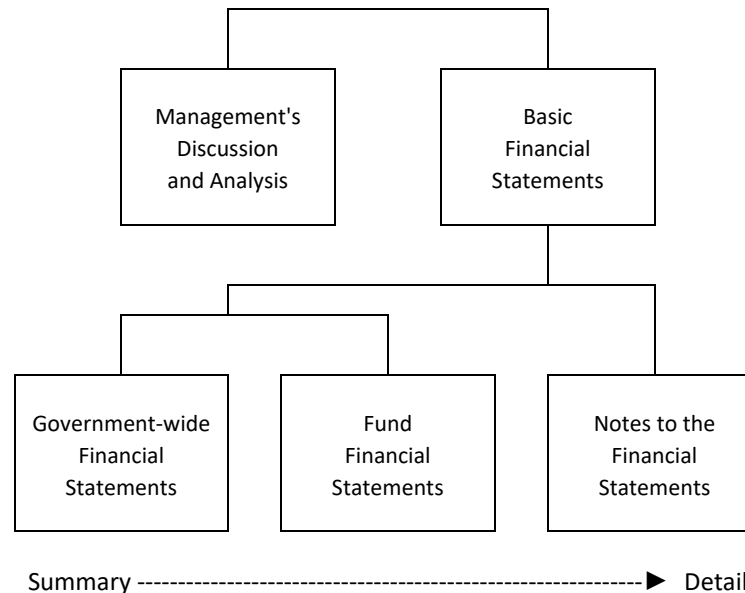
- On the government-wide Statement of Net Position, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$203.4 million (*net position*). The County's net position is impacted considerably by the debt the County has issued on behalf of the School Systems and Community College to fund school capital outlay. Under North Carolina law, the County is responsible for providing capital funding for schools. The County has chosen to meet its legal obligation by issuing general obligation and installment purchase debt. The capital assets are funded by the County; however, they are titled to and utilized by the School Systems and Community College. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of school-related debt was \$31.8 million.
- The County's total net position increased by \$42.6 million, due to an increase in business-type activities of \$0.4 million and an increase in governmental activities of \$42.2 million.
- As of the close of the 2023 fiscal year, the County's governmental funds reported combined ending fund balances of \$165.6 million. Approximately 38.7 percent of this total amount, or \$64 million, is nonspendable or restricted.
- At the end of the 2023 fiscal year, total fund balance, available fund balance and unassigned fund balance for the General Fund were \$128.5 million, \$109.1 million and \$65.3 million, respectively. These fund balance amounts represent 76.1 percent, 64.6 percent, and 38.7 percent of General Fund expenditures and transfers out, respectively.
- The County's general obligation, installment financing, and other debt increased by \$68.5 million, or 76.1 percent, during the 2023 fiscal year. The key factor in this increase was the addition \$54 million of installment financing debt.
- The County maintained its AA+ bond rating from Fitch Ratings for the fifth consecutive year; its Aa2 bond rating from Moody's Investors Service for the eleventh consecutive year; and its AA- bond rating from Standard and Poor's Corporation for the twelfth consecutive year. These bond ratings are clear indications of the sound financial condition of the County.
- The Airport and Landfill Funds' net position increased by \$0.2 million and \$0.4 million, respectively, and the Water Fund's net position decreased by \$0.2 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see 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 the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. The statements provide both short and long-term information about the County's financial status, using the full-accrual basis of accounting in a manner similar to a private-sector business.

The two government-wide statements report the County's net position and how it has changed. Net position reported on the *Statement of 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 net position is one way to gauge the County's financial condition. The *Statement of Activities* presents information showing how the County's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The two government-wide statements are each divided into two categories: governmental activities and business-type activities. The governmental activities include most of the County's basic services such as education, human services, public safety, culture and recreation, and general government services. Property and other taxes, as well as state and federal grant funds, finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the aviation, landfill and water services offered by the County.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

The next statements within the basic financial statements are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government at a more detailed level than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statement; 3) the proprietary funds statements; and 4) the fiduciary funds statement.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The 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 the 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. Governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. The relationship between government activities (reported in the *Statement of Net Position* and the *statement of activities*) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County adopts an annual budget for its General Fund, as required by the North Carolina 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 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 variance between the final budget and the actual resources and charges.

Proprietary Funds - The County has four proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its airport, landfill and water activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its risk management activity. Because this operation benefits both governmental and business-type activities, the internal service fund has been allocated between these activities in the government-wide financial statements.

Fiduciary Funds - The County has one type of fiduciary fund. *Custodial Funds* are used to account for assets the County holds on behalf of others. The County has one custodial fund that is used to account for property taxes collected for and remitted to municipalities within the County.

The fund financial statements are on Exhibits 3 through 11 of this report.

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements. The notes to the financial statements can be found on pages 37 through 106 of this report.

After the notes, this report presents certain required supplemental information concerning the County's progress in funding its obligation to provide pension and other postemployment benefits. The combining statements are then provided to show details about the County's major and non-major governmental funds, as well as enterprise, internal service and agency funds. Budgetary information required by the General Statutes also can be found in this part of the report. Finally, other schedules are provided to detail ad valorem tax information.

Government-wide Financial Analysis

Rowan County's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Assets:						
Current and other assets	\$227,778,154	\$147,528,690	\$ 57,206,729	\$ 39,245,363	\$ 284,984,883	\$ 186,774,053
Capital assets	<u>70,598,044</u>	<u>67,315,594</u>	<u>25,137,801</u>	<u>22,333,791</u>	<u>95,735,845</u>	<u>89,649,385</u>
Total assets	<u>298,376,198</u>	<u>214,844,284</u>	<u>82,344,530</u>	<u>61,579,154</u>	<u>380,720,728</u>	<u>276,423,438</u>
 Deferred Outflows of Resources	 <u>22,924,951</u>	 <u>16,841,200</u>	 <u>963,049</u>	 <u>657,817</u>	 <u>23,888,000</u>	 <u>17,499,017</u>
 Liabilities:						
Long-term liabilities outstanding	120,944,814	72,394,773	37,566,892	17,612,782	158,511,706	90,007,555
Other liabilities	<u>31,194,986</u>	<u>35,451,986</u>	<u>7,396,842</u>	<u>6,180,691</u>	<u>38,591,828</u>	<u>41,632,677</u>
Total liabilities	<u>152,139,800</u>	<u>107,846,759</u>	<u>44,963,734</u>	<u>23,793,473</u>	<u>197,103,534</u>	<u>131,640,232</u>
 Deferred Inflows of Resources	 <u>3,781,696</u>	 <u>12,848,393</u>	 <u>295,606</u>	 <u>827,108</u>	 <u>4,077,302</u>	 <u>13,675,501</u>
 Net Position:						
Net investment in capital assets	61,780,384	65,452,414	24,109,655	21,287,724	85,890,039	86,740,138
Restricted	30,988,382	24,611,873	-	-	30,988,382	24,611,873
Unrestricted	<u>72,610,887</u>	<u>20,926,045</u>	<u>13,938,584</u>	<u>16,328,666</u>	<u>86,549,471</u>	<u>37,254,711</u>
Total net position	<u>\$165,379,653</u>	<u>\$110,990,332</u>	<u>\$ 38,048,239</u>	<u>\$ 37,616,390</u>	<u>\$ 203,427,892</u>	<u>\$ 148,606,722</u>

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$203.4 million as of June 30, 2023, with an increase in net position of \$42.7 million for the fiscal year. Net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

The County's first category of net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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. The amount reported as net investment in capital assets decreased from \$86.7 million in the prior year to \$85.9 million at June 30, 2023. The decrease is mainly attributable to governmental activities.

The second reported category of net position is restricted net position. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Restricted net position totaled \$31 million at June 30, 2023, a \$6.4 million increase from prior year. The increase is due to the increase in amounts restricted for Education.

The County's largest portion of net position is reported as unrestricted. The balance is to be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2023, the County reported unrestricted net position \$86.6 million. This amount is impacted by the portion of the County's outstanding debt incurred for Rowan-Salisbury and Kannapolis City School Systems and Rowan-Cabarrus Community College. Even though the debt was issued to finance school capital outlay, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it does not finance assets that are owned by the County. At June 30, 2023, \$31.8 million of the outstanding debt on the County's financial statements was related to assets included on the School Systems' and Community College's financial statements. If this debt was not reported as a reduction of net position, the balance of unrestricted net position would be \$118.4 million.

The impact of the inclusion of the School Systems' and Community College's debt, without the corresponding assets, was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage above 98.32 percent
- Continued pursuit of grant opportunities and other external funding
- Continued low cost of debt due to the County's high bond ratings and the prevailing interest rate environment
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

Rowan County's Change in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 14,721,829	\$ 12,717,814	\$ 9,133,647	\$ 8,926,427	\$ 23,855,476	\$ 21,644,241
Operating grants and contributions	43,176,782	28,438,337	461,997	1,239,689	43,638,779	29,678,026
Capital grants and contributions	888,908	2,743,828	-	-	888,908	2,743,828
General revenues:						
Property taxes	105,759,380	101,043,786	-	-	105,759,380	101,043,786
Local option sales tax	43,073,942	38,664,061	-	-	43,073,942	38,664,061
Other taxes	3,029,241	3,060,038	-	-	3,029,241	3,060,038
Grants and contributions not restricted to specific programs	597,832	547,814	-	-	597,832	547,814
Other	7,541,135	(129,923)	1,236,272	(138,422)	8,777,407	(268,345)
Total revenues	<u>218,789,049</u>	<u>187,085,755</u>	<u>10,831,916</u>	<u>10,027,694</u>	<u>229,620,965</u>	<u>197,113,449</u>
Expenses:						
General government	20,186,063	22,420,432	-	-	20,186,063	22,420,432
Public safety	52,212,657	44,861,634	-	-	52,212,657	44,861,634
Transportation	1,779,545	1,536,388	-	-	1,779,545	1,536,388
Economic and physical development	8,544,580	5,929,633	-	-	8,544,580	5,929,633
Human services	33,073,303	29,792,298	-	-	33,073,303	29,792,298
Cultural and recreational	7,932,191	6,762,154	-	-	7,932,191	6,762,154
Education	50,358,589	46,381,336	-	-	50,358,589	46,381,336
Interest on long-term debt	1,433,042	1,004,943	-	-	1,433,042	1,004,943
Airport	-	-	2,864,808	2,705,301	2,864,808	2,705,301
Landfill	-	-	8,076,797	6,230,743	8,076,797	6,230,743
Water	-	-	485,137	337,958	485,137	337,958
Total expenses	<u>175,519,970</u>	<u>158,688,818</u>	<u>11,426,742</u>	<u>9,274,002</u>	<u>186,946,712</u>	<u>167,962,820</u>
Change in net position before transfers	43,269,079	28,396,937	(594,826)	753,692	42,674,253	29,150,629
Transfers	(1,026,675)	(2,018,189)	1,026,675	2,018,189	-	-
Change in net position	<u>42,242,404</u>	<u>26,378,748</u>	<u>431,849</u>	<u>2,771,881</u>	<u>42,674,253</u>	<u>29,150,629</u>
Net Position:						
Beginning of year - July 1	110,990,332	84,611,584	37,616,390	34,844,509	148,606,722	119,456,093
Restatement	12,146,917	-	-	-	12,146,917	-
Beginning of year - restated	<u>123,137,249</u>	<u>84,611,584</u>	<u>37,616,390</u>	<u>34,844,509</u>	<u>160,753,639</u>	<u>119,456,093</u>
End of year - June 30	<u>\$ 165,379,653</u>	<u>\$ 110,990,332</u>	<u>\$ 38,048,239</u>	<u>\$ 37,616,390</u>	<u>\$ 203,427,892</u>	<u>\$ 148,606,722</u>

Governmental activities. Governmental activities increased the County's net position by \$42.2 million. As indicated on the previous page, the majority of the County's expenses were related to public safety (\$52.2 million, 29.7 percent), Education (\$50.4 million, 28.7 percent) and human services (\$33.1 million, 18.8 percent). While these expenses increased 10.6% from the prior year due to continued conservative management, the County saw significant growth in all categories of revenues, most notably in operating grants and contributions.

Business-type activities. Business-type activities increased the County's net position by \$0.4 million. Key elements of this increase are as follows:

- Continued diligence in airport, landfill and water revenue collections
- Continued effort by Airport and Landfill Funds to run operations cost effectively

Airport, Landfill, and Water expenses totaled \$2.9 million, \$8.1 million and \$0.5 million for the fiscal year, or 25.0 percent, 70.7 percent and 4.2 percent respectively, of total business-type expenses.

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 the 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 the County. At the end of the current fiscal year, the County's fund balance available for appropriation in the General Fund was \$109.1 million, while total fund balance equaled \$128.5 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. At fiscal year-end, available fund balance represented 64.6 percent of total General Fund expenditures and transfers out, while total fund balance represented 76.1 percent of that same amount. The County has an informal policy that available fund balance should equal or exceed 21.0 percent of General Fund expenditures and transfers out in order to meet the cash flow needs of the County and to react to unforeseen needs or opportunities.

General Fund balance at June 30, 2023 increased by \$38.8 million from the prior year. This increase was primarily due to five factors:

- Ad valorem property taxes are budgeted based on previous year estimates due to new construction, improvements, and addition business personal property in FY23 actuals exceeded budgeted expectations by \$6 million (6.5 percent) and exceeded FY22 by \$3.2 million (3.5%) due to growth.
- Local option sales taxes were budgeted conservatively based on economic indicators the actuals remained strong throughout FY23 and exceeded budgeted expectations by \$9.3 million (27.8 percent) and exceeded FY22 by \$4.4 million (11.4%) due to economic recovery and growth.
- Operational efficiencies and supply chain issues resulted in 22.2 percent of unspent budgeted expenditures and an increase from FY22 of only \$14.2 million (9.5%).
- Operational grants and contributions increased \$14.7 million. The largest of these coming from ARPA revenue replacement funds moved to general fund.
- Other revenue is showing a 7.6 million increase for primarily due to the interest rates changing favorably and sale of property.

The ARPA Fund reported revenues from the use of ARPA grant funds of \$8.8 million, of which \$8 million was transferred to the General Fund to use a revenue replacement. At June 30, 2023, there was \$13.6 million of ARPA funds remaining to be spent. The Opioid Settlement Fund realized an increase in fund balance of \$1.3 million as settlement funds were received as scheduled during the year, but only \$.02 of the funds were spent. The West End Plaza Capital Project Fund had a net change in fund balance of \$25.5 million, mostly due to the \$28.6 million in installment obligations issued for the project.

The other governmental funds of the County, comprised of Special Revenue Funds and Capital Projects Funds, reported a combined fund balance of \$4.1 million, a decrease of \$1.4 million from the prior year. This decrease was primarily due to Public Schools Projects Capital Fund expenditures of \$1.4 million.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Airport, Landfill and Water Funds at the end of the fiscal year amounted to \$2.4 million, \$11.9 million and \$0.7 million, respectively. The Airport and Landfill Funds experienced an increase in net position of \$0.2 million and \$0.4 million, respectively and the Water Fund experienced a decrease of \$0.2 million. Other factors concerning the finances of these Funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The County revised the budget on several occasions during the 2023 fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted expenditures by \$25.5 million, a 13.7 percent increase. The majority of this increase occurred in 3 areas: general government, education and human services. The increase in general government is due mainly to radio project where the county purchased public safety radios for the entire County. In Education, the County allocated the carryforward amount of sales tax to be used for school capital items. Human services increased due to the reserve carryforward in the foster care program.

Actual revenues exceeded the amounts projected in the final budget by \$16.1 million, or 9.4 percent, during the 2023 fiscal year. The revenue overages occurred primarily in property taxes and local option sales taxes. The County's property tax levy exceeded budgeted expectations due to 3 areas: 1) new construction of home, commercial improvements and development, 2) additional business personal property and 3) increase valuation of registered motor vehicles. Sales tax revenue growth remained strong throughout 2023 fiscal year. The County budgeted this number conservatively unsure of pandemic recovery.

Actual expenditures and transfers out were \$50.5 million, or 23.3 percent, less than appropriations as of June 30, 2023. Unspent program funds within all general fund functions contributed to this favorable variance.

Capital Asset and Debt Administration

Capital Assets. The County's capital assets for its governmental and business-type activities as of June 30, 2023 totaled \$95.7 million (net of accumulated depreciation/amortization). These assets include land, buildings, other improvements, equipment, vehicles, leased buildings, leased equipment, leased land, subscriptions and construction in progress.

Major capital asset transactions during the year included:

- Received 31 vehicles for Emergency Services, Sheriff's Office, Inspections and Facilities Management
- Environmental Management (Landfill) construction of new cell underway
- Courthouse Roof replacement project was completed
- Roadway Project for Dog Adoption Center project was underway
- Facilities Roof Replacement completed
- West End Plaza Agriculture Center and Meeting Hall underway
- Woodleaf Community Park underway
- Tennis Court Renovations Ellis Park completed
- Information Technology Storage completed
- Airport New Hangar Project installment financing was secured, and bids awarded for construction
- Radio Equipment ordered

Rowan County's Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,687,920	\$ 9,938,595	\$ 4,433,518	\$ 4,433,518	\$ 14,121,438	\$ 14,372,113
Buildings	33,650,548	34,177,671	6,886,180	6,123,407	40,536,728	40,301,078
Other improvements	7,255,861	6,885,687	11,160,849	9,332,651	18,416,710	16,218,338
Equipment	3,621,252	5,009,122	2,164,280	1,715,772	5,785,532	6,724,894
Vehicles and motorized equipment	3,356,528	3,359,184	457,904	728,443	3,814,432	4,087,627
Construction in progress	11,758,928	7,945,335	9,016	-	11,767,944	7,945,335
Leased buildings	278,897	319,037	-	-	278,897	319,037
Leased equipment	624,479	910,553	-	-	624,479	910,553
Leased land	-	-	10,333	-	10,333	-
Subscriptions	363,631	-	15,721	-	379,352	-
Total	<u>\$ 70,598,044</u>	<u>\$ 68,545,184</u>	<u>\$ 25,137,801</u>	<u>\$ 22,333,791</u>	<u>\$ 95,735,845</u>	<u>\$ 90,878,975</u>

Additional information on the County's capital assets can be found in Note 2.A.5 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, the County's general obligation debt, secured by the full faith and credit of the County, totaled \$3.3 million. Installment financings totaled \$83.6 million. A summary of outstanding debt is shown below.

Rowan County's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 3,342,336	\$ 4,196,165	\$ -	\$ -	\$ 3,342,336	\$ 4,196,165
Installment financing	65,411,427	35,919,120	18,235,791	1,046,067	83,647,218	36,965,187
Other	52,191,051	32,279,488	19,331,101	16,566,715	71,522,152	48,846,203
Total	<u>\$120,944,814</u>	<u>\$ 72,394,773</u>	<u>\$ 37,566,892</u>	<u>\$ 17,612,782</u>	<u>\$ 158,511,706</u>	<u>\$ 90,007,555</u>

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8.0 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is approximately \$1.095 billion. The County has \$45 million of bonds authorized, but unissued, at June 30, 2023.

The County's total long-term debt increased by \$68.5 million, or 76.1 percent, during the 2023 fiscal year. Major debt activity for the year included:

- Three new issuance of installment financing debt totaling \$53.9 million
- Retirement of \$0.8 million of general obligation debt issued for school capital needs (including amortization of bond premium)
- Retirement of \$7.1 million of existing installment financing debt
- Increase in the Local Governmental Employees' Retirement System (LGERS) net pension liability of \$22.4 million
- Decrease in the total Other Postemployment Benefit (OPEB) liability of \$1.2 million

As mentioned in the financial highlights section of this document, the County maintained its AA+, Aa2, and AA- ratings from Fitch Ratings, Moody's Investor Services and Standard and Poor's Corporation, respectively. These bond ratings are a clear indication of the sound financial condition of Rowan County and are a primary factor in keeping interest costs low on the County's outstanding debt.

Additional information regarding the County's long-term debt can be found in Note 2.B.8 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

As the County continues to recover from COVID-19 pandemic, the following key economic indicators reflect the growth and prosperity of the County.

- Rowan County's average wage is currently fourth highest amount counties in the Charlotte metro region and twelfth amid the State's 100 counties.
- Fiscal year 2023 local option sales tax receipts were \$4.4 million greater than those received in the prior year.
- Ad valorem taxes grew by \$3.3 million in fiscal year 2023, due primarily to an increase in valuations.
- New retail, manufacturing and infrastructure projects were announced, under construction or completed during the fiscal year.
- The County is home to a diversified business base. Management believes this diversity will help buffer the negative effects of the economic downturns.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2023 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities

The County's approved General Fund budget for fiscal year 2024 totals \$198.2 million, which represents a \$10.5 million, or 5.6 percent, increase from the original budget adopted for the 2023 fiscal year. Ad valorem taxes and local option sales taxes provide two of the largest funding streams. Ad valorem taxes are budgeted to increase by 18.8 percent, or \$17.2 million, due to revaluation in the tax base of real property. The property tax rate for fiscal year 2024 reduced to \$0.58 per \$100 of assessed value. Sales tax revenue is projected to increase by \$1.9 million, or 5.6 percent. Increases in General Fund expenditures are budgeted in the areas of general government, public safety, human services, transportation, culture and recreation, education and debt services.

At the close of the 2023 fiscal year, the County's General Fund available fund balance was \$109.1 million. The County has appropriated \$10.9 million of this amount into the 2024 fiscal year budget, although management believes that continued restrictions on spending will maintain the County's financial position. As the County considers future revenue sources and expenditures, it will weigh the benefit of increasing or decreasing the property tax rate against the cost to citizens and potential businesses.

Business-type Activities

For the 2024 fiscal year, the County budgeted amounts in three enterprise funds, the Airport Fund, the Landfill Fund and the Water Fund. It is important to note that enterprise revenues are used only in the operations of the enterprises and are not used to fund general County operations. Charges for services at the Airport and Water Fund for fiscal year 2024 are substantially the same as the amounts adopted for fiscal year 2023. The Landfill increased the tipping fees for FY24 as follows: Rowan County - \$39 per ton, Davie County contracted service - \$42 per ton, and all other waste outside the County - \$44 per ton. Landfill also increased some of the convenience site fees.

In the Airport function, budgeted expenditures have decreased by \$0.9 million, to \$7.5 million, primarily due to Airport grant projects budgeted and started in fiscal year 2023 that are not in fiscal year 2024. To pay for the one-time expenditures the Airport is to receive a State Grant and fund balance has been appropriated along with a one-time transfer from the general fund.

Budgeted expenditures in the Landfill function have decreased by \$12.3 million, to \$9.2 million, primarily due to new landfill cell construction project being under contract in fiscal year 2023. Fund balance has been appropriated to pay for these one-time expenditures.

The Water Fund's budgeted revenue and expenditures for fiscal year 2024 decreased by \$0.9 million to \$1.1 million.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to Finance Director, Rowan County, 130 West Innes Street, Salisbury, NC 28144. You can also call 704-216-8170 or visit our website at www.rowancountync.gov for more information.



BASIC FINANCIAL STATEMENTS



ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

EXHIBIT 1

	Primary Government			Component Unit Rowan County Tourism Development Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 136,088,232	\$ 34,378,359	\$ 170,466,591	\$ 251,662
Receivables (net)	8,589,542	594,880	9,184,422	-
Lease receivable	1,184,623	254,592	1,439,215	-
Prepaid	22,243	-	22,243	-
Due from other governments	14,695,166	217,597	14,912,763	-
Due from primary government	-	-	-	239,730
Inventories	64,251	38,869	103,120	-
Internal balances	942,493	(942,493)	-	-
Restricted cash and cash equivalents	48,805,925	22,664,925	71,470,850	-
Long-term accounts receivable, net	17,207,804	-	17,207,804	-
Net pension asset	177,875	-	177,875	-
Capital assets:				
Land and construction in progress	21,446,848	4,442,534	25,889,382	-
Other capital assets (net of depreciation)	47,884,189	20,695,267	68,579,456	2,685,085
Right-to-use assets (net of amortization)	1,267,007	-	1,267,007	-
Total assets	298,376,198	82,344,530	380,720,728	3,176,477
DEFERRED OUTFLOWS OF RESOURCES	22,924,951	963,049	23,888,000	42,347

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

EXHIBIT 1 (Continued)

	Primary Government			Component Unit
	Governmental	Business-type		Rowan County
	Activities	Activities	Total	Tourism
				Development
				Authority
LIABILITIES				
Accounts payable and accrued liabilities	15,448,849	2,399,860	17,848,709	3,267
Unearned revenue - advance from grantor	14,557,592	4,996,982	19,554,574	-
Payable from restricted assets	31,661	-	31,661	-
Accrued interest payable	670,196	-	670,196	-
Contract retainage	246,958	-	246,958	-
Due to component unit	239,730	-	239,730	-
Long-term liabilities:				
Due within one year	11,821,995	1,206,872	13,028,867	-
Due in more than one year	109,122,819	36,360,020	145,482,839	55,286
Total liabilities	152,139,800	44,963,734	197,103,534	58,553
DEFERRED INFLOWS OF RESOURCES	3,781,696	295,606	4,077,302	560
NET POSITION				
Net investment in capital assets	61,780,384	24,109,655	85,890,039	2,685,085
Restricted:				
Stabilization by state statute	19,310,572	-	19,310,572	239,730
Education	7,034,899	-	7,034,899	-
Public safety	1,892,211	-	1,892,211	-
Register of Deeds' pension plan	267,265	-	267,265	-
Other	2,483,435	-	2,483,435	-
Unrestricted (deficit)	72,610,887	13,938,584	86,549,471	234,896
Total net position	\$ 165,379,653	\$ 38,048,239	\$ 203,427,892	\$ 3,159,711

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

EXHIBIT 2

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Rowan County Tourism Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 20,186,063	\$ 1,931,829	\$ 10,463,638	\$ -	\$ (7,790,596)	\$ -	\$ (7,790,596)	
Public safety	52,212,657	10,136,476	1,423,348	-	(40,652,833)	-	(40,652,833)	
Transportation	1,779,545	343,193	1,356,072	320,809	240,529	-	240,529	
Economic and physical development	8,544,580	163,587	96,722	98,050	(8,186,221)	-	(8,186,221)	
Human services	33,073,303	898,665	29,381,748	-	(2,792,890)	-	(2,792,890)	
Culture and recreation	7,932,191	1,248,079	455,254	-	(6,228,858)	-	(6,228,858)	
Education	50,358,589	-	-	470,049	(49,888,540)	-	(49,888,540)	
Interest on long-term debt	1,433,042	-	-	-	(1,433,042)	-	(1,433,042)	
Total governmental activities	175,519,970	14,721,829	43,176,782	888,908	(116,732,451)	-	(116,732,451)	
Business-type activities:								
Airport	2,864,808	1,631,916	93,941	-	-	(1,138,951)	(1,138,951)	
Landfill	8,076,797	7,255,774	368,056	-	-	(452,967)	(452,967)	
Water	485,137	245,957	-	-	-	(239,180)	(239,180)	
Total business-type activities	11,426,742	9,133,647	461,997	-	-	(1,831,098)	(1,831,098)	
Total primary government	\$ 186,946,712	\$ 23,855,476	\$ 43,638,779	\$ 888,908	(116,732,451)	(1,831,098)	(118,563,549)	
Component unit:								
Rowan County Tourism								
Development Authority	\$ 1,711,209	\$ 282,394	\$ -	\$ -				\$ (1,428,815)

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2023

EXHIBIT 2 (Continued)

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Rowan County Tourism Development Authority
General revenues:			
Taxes:			
Property taxes, levied for general purpose	\$ 105,759,380	\$ -	\$ 105,759,380
Local option sales taxes	43,073,942	-	43,073,942
Other taxes and licenses	3,029,241	-	3,029,241
Grants and contributions not restricted to specific programs	597,832	-	597,832
Investment earnings, unrestricted	5,452,924	1,236,272	6,689,196
Miscellaneous, unrestricted	2,088,211	-	2,088,211
Total general revenues, excluding transfers	160,001,530	1,236,272	161,237,802
Transfers	(1,026,675)	1,026,675	-
Total general revenues and transfers	158,974,855	2,262,947	161,237,802
Change in net position	42,242,404	431,849	42,674,253
Net position:			
Beginning of year, July 1	110,990,332	37,616,390	148,606,722
Restatement	12,146,917	-	12,146,917
Beginning of year, restated	123,137,249	37,616,390	160,753,639
Net position, end of year, June 30	\$ 165,379,653	\$ 38,048,239	\$ 203,427,892

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

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

EXHIBIT 3

	Major				Nonmajor	Total
	General	ARPA	Opioid	West End	Other	Total
	Fund	Fund	Settlement	Plaza Capital	Governmental	Governmental
			Fund	Project Fund	Funds	Funds
ASSETS						
Cash and cash equivalents	\$ 116,941,375	\$ 503,777	\$ -	\$ 9,265,948	\$ 3,996,177	\$ 130,707,277
Restricted cash	8,236,886	13,561,894	1,830,530	24,867,382	309,233	48,805,925
Receivables (net)	5,123,750	-	20,180,951	-	492,642	25,797,343
Due from other governments	14,668,444	-	-	-	26,722	14,695,166
Inventories	64,251	-	-	-	-	64,251
Lease receivable	1,184,623	-	-	-	-	1,184,623
Prepays	22,243	-	-	-	-	22,243
Total assets	<u>\$ 146,241,572</u>	<u>\$ 14,065,671</u>	<u>\$ 22,011,481</u>	<u>\$ 34,133,330</u>	<u>\$ 4,824,774</u>	<u>\$ 221,276,828</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 11,393,346	\$ -	\$ 1,221	\$ 3,283,045	\$ 169,967	\$ 14,847,579
Unearned revenues - advance from grantor	979,313	13,561,894	-	-	16,385	14,557,592
Due to component unit	239,730	-	-	-	-	239,730
Contract retainage	-	-	-	172,592	74,366	246,958
Payable from restricted assets	-	31,661	-	-	-	31,661
Total liabilities	<u>12,612,389</u>	<u>13,593,555</u>	<u>1,221</u>	<u>3,455,637</u>	<u>260,718</u>	<u>29,923,520</u>
Deferred inflows of resources	<u>5,141,008</u>	<u>-</u>	<u>20,180,951</u>	<u>-</u>	<u>469,128</u>	<u>25,791,087</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

EXHIBIT 3 (Continued)

	Major			Nonmajor	Total
	General	ARPA	Opioid	Other	Governmental
	Fund	Fund	Settlement	Governmental	Funds
			Fund	Funds	Funds
Fund balances:					
Non-spendable:					
Inventories	64,251	-	-	-	64,251
Prepays	22,243	-	-	-	22,243
Leases	9,826	-	-	-	9,826
Restricted:					
Stabilization by state statute	19,260,336	-	-	50,236	19,310,572
Education capital	7,034,899	-	-	309,233	7,344,132
Future capital projects	8,369,156	-	-	-	8,369,156
Emergency telephone	-	-	-	1,687,608	1,687,608
Law enforcement	204,603	-	-	-	204,603
Register of Deeds	80,907	-	-	-	80,907
General government	-	-	-	-	24,867,382
Human services	-	-	1,829,309	202,063	2,031,372
Committed:					
Future projects	2,905,762	472,116	-	1,845,788	11,033,977
Tax revaluation	162,000	-	-	-	162,000
Assigned:					
Subsequent year's expenditures	10,947,265	-	-	-	10,947,265
Agricultural extension	64,195	-	-	-	64,195
Animal services	15,859	-	-	-	15,859
Nature center	49,168	-	-	-	49,168
Economic development	5,298,150	-	-	-	5,298,150
Emergency services	69,944	-	-	-	69,944
Environmental management	73,846	-	-	-	73,846
Health	5,149,853	-	-	-	5,149,853
Information technology	58,532	-	-	-	58,532
Law enforcement	169,893	-	-	-	169,893
Libraries	147,531	-	-	-	147,531
Planning	31,739	-	-	-	31,739
Recreation	161,246	-	-	-	161,246
Social services	2,816,552	-	-	-	2,816,552
Soil and water	13,341	-	-	-	13,341
Unassigned	65,307,078	-	-	-	65,307,078
Total fund balances	128,488,175	472,116	1,829,309	4,094,928	165,562,221
Total liabilities, deferred inflows of resources, and fund balances	\$ 146,241,572	\$ 14,065,671	\$ 22,011,481	\$ 4,824,774	\$ 221,276,828

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

EXHIBIT 3 (Continued)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT 1) ARE DIFFERENT BECAUSE:

Fund balance - total governmental funds	\$ 165,562,221
Capital assets and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	70,598,044
Net pension asset	177,875
An internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of this internal service fund are included in governmental activities on the Statement of Net Position.	4,779,688
Internal balances due from business-type activities internal service fund to governmental activities	942,493
Some liabilities, including bonds, notes and leases payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(121,615,010)
Pension related deferrals	20,109,408
OPEB related deferrals	577,367
Deferred inflows of resources for taxes, ambulance receivables, and opioid settlement receivables	<u>24,247,567</u>
Net position - governmental activities	<u>\$ 165,379,653</u>

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

EXHIBIT 4

	Major				Nonmajor	Total
	General Fund	ARPA Fund	Opioid Settlement Fund	West End Plaza Capital Project Fund	Other Governmental Funds	Governmental Funds
REVENUES:						
Ad valorem taxes	\$ 97,169,142	\$ -	\$ -	\$ -	\$ 7,965,579	\$ 105,134,721
Local option sales taxes	43,073,942	-	-	-	-	43,073,942
Other taxes and licenses	3,029,241	-	-	-	-	3,029,241
Unrestricted intergovernmental	597,832	-	-	-	-	597,832
Restricted intergovernmental	23,907,102	8,802,650	1,373,875	-	747,004	34,830,631
Permits and fees	3,643,213	-	-	-	-	3,643,213
Sales and services	11,454,424	-	-	-	-	11,454,424
Investment earnings (loss)	4,236,455	453,865	56,843	640,079	65,682	5,452,924
Miscellaneous	736,078	-	-	-	-	736,078
Penalties, fines and forfeitures	-	-	-	-	740,521	740,521
Total revenues	<u>187,847,429</u>	<u>9,256,515</u>	<u>1,430,718</u>	<u>640,079</u>	<u>9,518,786</u>	<u>208,693,527</u>
EXPENDITURES:						
Current:						
General government	18,218,606	745,300	-	-	750,551	19,714,457
Public safety	41,166,118	-	-	-	8,362,584	49,528,702
Transportation	2,021,195	-	-	-	-	2,021,195
Economic and physical development	8,457,215	-	-	-	19,894	8,477,109
Human services	31,193,874	-	179,209	-	395,653	31,768,736
Culture and recreation	7,602,152	-	-	-	-	7,602,152
Intergovernmental:						
Education	49,008,114	-	-	-	-	49,008,114
Capital outlay	-	-	-	3,732,618	1,350,475	5,083,093
Debt service:						
Principal retirement	8,714,276	-	-	-	-	8,714,276
Interest and other charges	1,043,755	-	-	-	-	1,043,755
Total expenditures	<u>167,425,305</u>	<u>745,300</u>	<u>179,209</u>	<u>3,732,618</u>	<u>10,879,157</u>	<u>182,961,589</u>
Revenues over (under) expenditures	<u>20,422,124</u>	<u>8,511,215</u>	<u>1,251,509</u>	<u>(3,092,539)</u>	<u>(1,360,371)</u>	<u>25,731,938</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

EXHIBIT 4 (Continued)

	Major			Nonmajor	Total
	General Fund	ARPA Fund	Opioid Settlement Fund	Other Governmental Funds	Governmental Funds
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	8,063,729	-	-	-	8,063,729
Transfers to other funds	(1,506,675)	(8,057,350)	-	-	(9,564,025)
Installment purchase obligations issued	7,998,000	-	-	28,600,000	36,598,000
Lease liability issued	151,715	-	-	-	151,715
Subscription liability issued	654,607	-	-	-	654,607
Sale of capital assets	3,052,965	-	-	-	3,052,965
Total other financing sources (uses)	18,414,341	(8,057,350)	-	-	38,956,991
Net change in fund balances	38,836,465	453,865	1,251,509	(1,360,371)	64,688,929
FUND BALANCES:					
Beginning of year, July 1	89,657,855	18,251	-	5,455,299	100,301,637
Restatement	-	-	577,800	-	577,800
Beginning of year, restated	89,657,855	18,251	577,800	5,455,299	100,879,437
Increase in inventories	(6,145)	-	-	-	(6,145)
End of year, June 30	<u>\$ 128,488,175</u>	<u>\$ 472,116</u>	<u>\$ 1,829,309</u>	<u>\$ 4,094,928</u>	<u>\$ 165,562,221</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2023

EXHIBIT 4 (Continued)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES (EXHIBIT 2) ARE DIFFERENT BECAUSE:

Net change in fund balance - total governmental funds	\$ 64,688,929
Change in fund balance due to change in reserve for inventory	(6,145)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	9,146,824
Depreciation expense allocates the costs of capital assets over their useful lives. Amortization expense allocate the cost to use leased assets over the terms of the leases. They are not reported as an expenditure in the governmental funds statement.	(5,393,132)
Cost of capital assets disposed during the year, recognized on the modified accrual basis in the fund statements, but recorded using the accrual basis on the Statement of Activities	(1,700,832)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	8,743,389
Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities.	5,697,935
Benefit payments and administration costs for LEOSSA in the current fiscal year are not included on the Statement of Activities.	198,108
Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities.	353,020
The issuance of long-term debt, leases, and subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt, leases, subscriptions, and related items.	(28,666,217)
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.	(10,636,924)
Net expense of internal service fund determined to be governmental-type	<u>(182,551)</u>
Change in net position of governmental activities	<u><u>\$ 42,242,404</u></u>

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2023

EXHIBIT 5

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES:				
Ad valorem taxes	\$ 91,175,000	\$ 91,215,000	\$ 97,169,142	\$ 5,954,142
Local option sales taxes	33,700,000	33,700,000	43,073,942	9,373,942
Other taxes and licenses	2,424,000	2,659,000	3,029,241	370,241
Unrestricted intergovernmental	530,000	530,000	647,832	117,832
Restricted intergovernmental	24,499,007	30,160,848	23,907,102	(6,253,746)
Permits and fees	2,819,000	2,819,000	3,643,213	824,213
Sales and services	9,018,821	9,393,267	11,454,424	2,061,157
Investment earnings	750,050	764,089	4,236,455	3,472,366
Miscellaneous	457,255	584,533	736,078	151,545
Total revenues	<u>165,373,133</u>	<u>171,825,737</u>	<u>187,897,429</u>	<u>16,071,692</u>
EXPENDITURES:				
Current:				
General government	19,524,489	29,264,392	18,218,606	11,045,786
Public safety	44,480,712	47,228,293	41,166,118	6,062,175
Transportation	2,136,613	3,262,403	2,021,195	1,241,208
Economic and physical development	9,797,360	10,908,091	5,769,715	5,138,376
Human services	37,322,749	41,879,904	31,193,874	10,686,030
Culture and recreation	8,246,125	9,485,428	7,602,152	1,883,276
Intergovernmental:				
Education	47,634,937	52,576,556	49,008,114	3,568,442
Debt service:				
Principal retirement	14,347,500	14,416,383	8,714,276	5,702,107
Interest and other charges	2,781,500	2,734,617	1,043,755	1,690,862
Total expenditures	<u>186,271,985</u>	<u>211,756,067</u>	<u>164,737,805</u>	<u>47,018,262</u>
Revenues over (under) expenditures	<u>(20,898,852)</u>	<u>(39,930,330)</u>	<u>23,159,624</u>	<u>63,089,954</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 5 (Continued)****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****GENERAL FUND****For the Fiscal Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Positive Negative
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	10,000,000	10,056,999	8,063,729	(1,993,270)
Transfers to other funds	(1,506,675)	(5,006,675)	(1,506,675)	3,500,000
Installment purchase obligations issued	-	8,050,000	7,998,000	(52,000)
Lease liability issued	-	-	151,715	151,715
Subscription liability issued	-	-	654,607	654,607
Sale of capital assets	3,078,000	3,078,000	3,052,965	(25,035)
Total other financing sources (uses)	11,571,325	16,178,324	18,414,341	2,236,017
Revenues and other financing sources over (under) expenditures and other financing uses	(9,327,527)	(23,752,006)	41,573,965	65,325,971
APPROPRIATED FUND BALANCE	9,327,527	23,752,006	-	(23,752,006)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	41,573,965	<u>\$ 41,573,965</u>
RECONCILIATION FROM BUDGETARY BASIS OF ACCOUNTING TO MODIFIED ACCRUAL BASIS:				
Current year note receivable payments			(50,000)	
Current year note receivable forgiven			(2,687,500)	
Net change in fund balance - modified accrual			38,836,465	
FUND BALANCE:				
Beginning of year, July 1			89,657,855	
Increase in inventories			(6,145)	
End of year, June 30			<u>\$ 128,488,175</u>	

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

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 6****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****OPIOID SETTLEMENT FUND****For the Fiscal Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES:				
Restricted intergovernmental revenues	\$ 1,270,693	\$ 1,270,693	\$ 1,373,875	\$ 103,182
Investment earnings	-	-	56,843	56,843
Total revenues	<u>1,270,693</u>	<u>1,270,693</u>	<u>1,430,718</u>	<u>160,025</u>
EXPENDITURES:				
Current:				
General government	<u>1,848,493</u>	<u>1,848,493</u>	<u>179,209</u>	<u>1,669,284</u>
Revenues over (under) expenditures	(577,800)	(577,800)	1,251,509	1,829,309
APPROPRIATED FUND BALANCE	<u>577,800</u>	<u>577,800</u>	<u>-</u>	<u>(577,800)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,251,509</u>	<u>\$ 1,251,509</u>
FUND BALANCE:				
Beginning of year, July 1			-	
Restatement			<u>577,800</u>	
Beginning of year, restated			<u>577,800</u>	
End of year, June 30			<u>\$ 1,829,309</u>	

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

EXHIBIT 7

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,603,216	\$ 31,103,088	\$ 672,055	\$ 34,378,359	\$ 5,380,955
Restricted cash	22,664,925	-	-	22,664,925	-
Receivables (net)	1,979	592,901	-	594,880	3
Leases receivable, current	74,057	-	-	74,057	-
Due from other governments	30,537	92,738	94,322	217,597	-
Inventories	38,869	-	-	38,869	-
Total current assets	<u>25,413,583</u>	<u>31,788,727</u>	<u>766,377</u>	<u>57,968,687</u>	<u>5,380,958</u>
Non-current assets:					
Leases receivable, non-current	<u>180,535</u>	<u>-</u>	<u>-</u>	<u>180,535</u>	<u>-</u>
Capital assets:					
Land and construction in progress	2,880,061	1,562,473	-	4,442,534	-
Other capital assets, net	<u>9,796,028</u>	<u>7,334,008</u>	<u>3,565,231</u>	<u>20,695,267</u>	<u>-</u>
Total capital assets, net	<u>12,676,089</u>	<u>8,896,481</u>	<u>3,565,231</u>	<u>25,137,801</u>	<u>-</u>
Total non-current assets	<u>12,856,624</u>	<u>8,896,481</u>	<u>3,565,231</u>	<u>25,318,336</u>	<u>-</u>
Total assets	<u>38,270,207</u>	<u>40,685,208</u>	<u>4,331,608</u>	<u>83,287,023</u>	<u>5,380,958</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension deferrals	104,351	809,765	-	914,116	-
OPEB deferrals	<u>3,139</u>	<u>45,794</u>	<u>-</u>	<u>48,933</u>	<u>-</u>
Total deferred outflows of resources	<u>107,490</u>	<u>855,559</u>	<u>-</u>	<u>963,049</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	471,778	1,834,114	93,968	2,399,860	79,933
Claims payable	-	-	-	-	521,337
Unearned revenue	4,996,982	-	-	4,996,982	-
Compensated absences	5,401	40,362	-	45,763	-
Total OPEB liability	1,000	9,000	-	10,000	-
Lease liabilities	-	3,398	-	3,398	-
Subscription liabilities	-	15,800	-	15,800	-
Notes payable	<u>1,131,911</u>	<u>-</u>	<u>-</u>	<u>1,131,911</u>	<u>-</u>
Total current liabilities	<u>6,607,072</u>	<u>1,902,674</u>	<u>93,968</u>	<u>8,603,714</u>	<u>601,270</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

EXHIBIT 7 (Continued)

	Major		Non-Major		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
Non-current liabilities:					
Accrued landfill closure and post-closure care costs	-	17,484,630	-	17,484,630	-
Compensated absences	11,662	79,742	-	91,404	-
Net pension liability (LGRS)	155,083	1,203,442	-	1,358,525	-
Total OPEB liability	14,130	300,419	-	314,549	-
Lease liabilities	-	7,032	-	7,032	-
Notes payable	17,103,880	-	-	17,103,880	-
Total non-current liabilities	17,284,755	19,075,265	-	36,360,020	-
Total liabilities	23,891,827	20,977,939	93,968	44,963,734	601,270
DEFERRED INFLOWS OF RESOURCES					
Lease deferrals	251,562	-	-	251,562	-
Pension deferrals	1,236	9,591	-	10,827	-
OPEB deferrals	2,131	31,086	-	33,217	-
Total deferred inflows of resources	254,929	40,677	-	295,606	-
NET POSITION					
Net investment in capital assets	11,883,077	8,661,347	3,565,231	24,109,655	-
Unrestricted	2,347,864	11,860,804	672,409	14,881,077	4,779,688
Total net position	<u>\$ 14,230,941</u>	<u>\$ 20,522,151</u>	<u>\$ 4,237,640</u>	38,990,732	<u>\$ 4,779,688</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(942,493)	
Net position of business-type activities				<u>\$ 38,048,239</u>	

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

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 8****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS****For the Fiscal Year Ended June 30, 2023**

	Major		Nonmajor		Internal Service Fund
	Airport Fund	Landfill Fund	Water Fund	Total	Risk Management Fund
OPERATING REVENUES:					
Charges for services	\$ 1,631,916	\$ 7,255,774	\$ 245,957	\$ 9,133,647	\$ 801,499
OPERATING EXPENSES:					
Administration	-	-	-	-	211,399
Premiums and claims	-	-	-	-	1,690,518
Airport operations	2,062,010	-	-	2,062,010	-
Landfill operations	-	4,684,434	-	4,684,434	-
Landfill closure and post-closure care costs	-	1,758,601	-	1,758,601	-
Water operations	-	-	385,803	385,803	-
Depreciation and amortization	715,099	1,584,612	98,930	2,398,641	-
Total operating expenses	2,777,109	8,027,647	484,733	11,289,489	1,901,917
Operating income (loss)	(1,145,193)	(771,873)	(238,776)	(2,155,842)	(1,100,418)
NON-OPERATING REVENUES (EXPENSES):					
Scrap tire disposal tax	-	278,876	-	278,876	-
Solid waste disposal tax	-	87,430	-	87,430	-
Other grants and revenue	93,941	-	-	93,941	-
Other rent income	-	1,750	-	1,750	-
Investment earnings (loss)	348,014	838,856	49,402	1,236,272	213,982
Insurance settlements	-	-	-	-	220,656
Loss on disposal of capital assets	-	(41,976)	-	(41,976)	-
Interest expense	(85,059)	(610)	-	(85,669)	-
Total non-operating revenues	356,896	1,164,326	49,402	1,570,624	434,638

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
EXHIBIT 8 (Continued)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

	Major		Nonmajor		Internal Service Fund
	Airport Fund	Landfill Fund	Water Fund	Total	Risk Management Fund
Income (loss) before transfers	(788,297)	392,453	(189,374)	(585,218)	(665,780)
TRANSFERS FROM OTHER FUNDS	1,026,675	-	-	1,026,675	480,000
TRANSFERS TO OTHER FUNDS	-	-	-	-	(6,379)
Change in net position	238,378	392,453	(189,374)	441,457	(192,159)
TOTAL NET POSITION:					
Beginning of year, July 1	13,992,563	20,129,698	4,427,014		4,971,847
End of year, June 30	<u>\$ 14,230,941</u>	<u>\$ 20,522,151</u>	<u>\$ 4,237,640</u>		<u>\$ 4,779,688</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(9,608)	
Change in net position - business-type activities				<u>\$ 431,849</u>	

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

EXHIBIT 9

	Major		Nonmajor		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,635,103	\$ 7,512,454	\$ 203,394	\$ 9,350,951	\$ 801,496
Cash paid for goods and services	(1,502,463)	(1,288,748)	(339,910)	(3,131,121)	(1,611,849)
Cash paid to employees for services	(364,073)	(2,251,584)	-	(2,615,657)	-
Net cash provided (used) by operating activities	<u>(231,433)</u>	<u>3,972,122</u>	<u>(136,516)</u>	<u>3,604,173</u>	<u>(810,353)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Non-capital grants and other subsidies	93,941	360,536	-	454,477	-
Transfers in	1,026,675	-	-	1,026,675	480,000
Transfers out	-	-	-	-	(6,379)
Net cash provided by non-capital financing activities	<u>1,120,616</u>	<u>360,536</u>	<u>-</u>	<u>1,481,152</u>	<u>473,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on long-term debt	(248,276)	(18,990)	-	(267,266)	-
Interest paid	(33,922)	(610)	-	(34,532)	-
Acquisition and construction of capital assets	(1,264,623)	(3,375,543)	(559,241)	(5,199,407)	-
Capital grants and other subsidies	323,945	-	-	323,945	-
Proceeds from insurance settlements	-	-	-	-	220,656
Proceeds from issuance of debt	17,438,000	-	-	17,438,000	-
Unearned revenues	(3,043)	-	-	(3,043)	-
Net cash provided (used) by capital and related financing activities	<u>16,212,081</u>	<u>(3,395,143)</u>	<u>(559,241)</u>	<u>12,257,697</u>	<u>220,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>348,014</u>	<u>838,856</u>	<u>49,402</u>	<u>1,236,272</u>	<u>213,982</u>
Net increase (decrease) in cash and investments	17,449,278	1,776,371	(646,355)	18,579,294	97,906
CASH AND CASH EQUIVALENTS, July 1	<u>7,818,863</u>	<u>29,326,717</u>	<u>1,318,410</u>	<u>38,463,990</u>	<u>5,283,049</u>
CASH AND CASH EQUIVALENTS, June 30	<u>\$ 25,268,141</u>	<u>\$ 31,103,088</u>	<u>\$ 672,055</u>	<u>\$ 57,043,284</u>	<u>\$ 5,380,955</u>

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2023

EXHIBIT 9 (Continued)

	Major		Nonmajor		Internal Service Fund Risk Management Fund
	Airport Fund	Landfill Fund	Water Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	<u>\$ (1,145,193)</u>	<u>\$ (771,873)</u>	<u>\$ (238,776)</u>	<u>\$ (2,155,842)</u>	<u>\$ (1,100,418)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	715,099	1,565,446	98,930	2,379,475	-
Amortization	-	19,166	-	19,166	-
Landfill closure and post-closure care costs	-	1,758,601	-	1,758,601	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:					
(Increase) decrease in receivables (net)	4,649	256,680	(42,563)	218,766	(3)
(Increase) decrease in leases receivable	29,131	-	-	29,131	-
(Increase) decrease in inventory	43,998	-	-	43,998	-
(Increase) decrease in lease deferrals	(30,593)	-	-	(30,593)	-
(Increase) decrease in deferred outflows of resources - pensions	(36,781)	(285,420)	-	(322,201)	-
Increase (decrease) in net pension liability	112,111	869,979	-	982,090	-
Increase (decrease) in deferred inflows of resources - pensions	(60,298)	(467,915)	-	(528,213)	-
(Increase) decrease in deferred outflows of resources - OPEB	1,089	15,880	-	16,969	-
Increase (decrease) in total OPEB liability	(2,115)	(30,843)	-	(32,958)	-
Increase (decrease) in deferred inflows of resources - OPEB	1,752	25,552	-	27,304	-
Increase (decrease) in accounts payable and accrued liabilities	135,060	987,104	45,893	1,168,057	38,379
Increase (decrease) in claims payable	-	-	-	-	251,689
Increase (decrease) in compensated absences payable	658	29,765	-	30,423	-
Total adjustments	<u>913,760</u>	<u>4,743,995</u>	<u>102,260</u>	<u>5,760,015</u>	<u>290,065</u>
Net cash provided (used) by operating activities	<u>\$ (231,433)</u>	<u>\$ 3,972,122</u>	<u>\$ (136,516)</u>	<u>\$ 3,604,173</u>	<u>\$ (810,353)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:					
Right to use assets acquired / liabilities issued	<u>\$ -</u>	<u>\$ 45,220</u>	<u>\$ -</u>	<u>\$ 45,220</u>	<u>\$ -</u>

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

EXHIBIT 10

	<u>Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 628,208
Accounts receivable, net	<u>1,053,467</u>
 Total assets	 <u>1,681,675</u>
 LIABILITIES	
 Due to other governments	 <u>628,208</u>
 Total liabilities	 <u>\$ 628,208</u>
 NET POSITION	
Restricted:	
Other governments	<u>\$ 1,053,467</u>

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended JUNE 30, 2023

EXHIBIT 11

	<u>Custodial Fund</u>
ADDITIONS:	
Ad valorem taxes for other governments	\$ 33,648,797
DEDUCTIONS:	
Tax distributions to other governments	<u>33,809,395</u>
Net increase (decrease) in fiduciary net position	(160,598)
NET POSITION:	
Beginning of year - July 1	<u>1,214,065</u>
End of year - June 30	<u><u>\$ 1,053,467</u></u>

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



ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rowan County, North Carolina (the County) and its component units 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 generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The Rowan County Industrial Facilities and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Rowan County Tourism Development Authority (the TDA), which has a June 30 year-end, is presented as if it is a separate governmental-type fund of the County (discrete presentation).

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Rowan County Industrial Facilities and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board that is appointed by the County Commissioners. The County can remove any member with or without cause.	None issued
Rowan County Tourism Development Authority	Discrete	The TDA is governed by an eleven-member board, ten of whom are appointed by the County Commissioners. The TDA, which provides a financial benefit to the County, was established to receive the proceeds of the room occupancy tax levied pursuant to Session Law 1987-379. The TDA is authorized to spend these proceeds to promote travel, tourism, and conventions within the County.	Rowan County TDA 204 E. Innes St., Suite 120 Salisbury, NC 28144

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County's) 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, although interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the 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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 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. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

ARPA Fund. This fund accounts for approximately \$27,600,000 of American Rescue Plan Act (ARPA) funds awarded to the County. These funds can only be spent for eligible uses including, (1) to respond to the public health emergency or its negative economic impacts; (2) provide premium pay to eligible employees for essential work up to \$13 per hour; (3) to address revenue reductions; and (4) infrastructure investments in water, sewer, or broadband.

Opioid Settlement Fund. This fund accounts for the distributions from the National Opioid Settlement Agreement with pharmaceutical and drug distribution companies due to the opioid epidemic. These funds are required to be used for opioid remediation activities that benefit the residents of Rowan County.

West End Plaza Capital Project Fund. This fund accounts for the construction and renovation of the West End Plaza.

The County reports the following major enterprise funds:

Airport Fund. This fund accounts for the operations, maintenance, and development of the Rowan County Airport.

Landfill Fund. This fund accounts for the operations, maintenance and development of the County's landfill and disposal sites.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

The County reports the following fund types:

Internal Service Fund. 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. The County has one internal service fund, the Risk Management 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 one custodial fund: the Municipal Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

Nonmajor Funds. The County maintains eight legally budgeted nonmajor funds. The Community Development Fund, the Emergency Telephone System Fund, the Fire District Fund, the Representative Payee Fund, and the Fines and Forfeitures Fund are reported as nonmajor special revenue funds. The Public-School Capital Projects Fund and the RCCC Facilities Capital Projects Fund are reported as nonmajor capital projects funds. The Water Fund is reported as a nonmajor enterprise fund.

Measurement Focus, Basis of Accounting

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 and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the 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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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

The 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. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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 are 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 is adopted for the General Fund, opioid settlement, emergency telephone system, fire district, representative payee, and fines and forfeitures special revenue funds, and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the ARPA and community development special revenue funds and the capital projects funds. All budgets are prepared using the modified accrual basis of accounting. The risk management internal service fund operates under a financial plan, which was adopted by the governing board at the same time as the County's budget ordinance. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations within a function of a fund; however, any revisions that alter the total appropriations of any fund must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by North Carolina General Statute 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 contracts are accounted for at cost. The NC Capital Management Trust Government Portfolio, an SEC-registered 2a-7 government money market fund, is valued at fair value.

2. Cash and Cash Equivalents

The County pools monies 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.

3. Restricted Assets

ARPA funds are classified as restricted cash because they must be expended in accordance with the American Rescue Plan Act. Other unspent grant funds, including SCIF funds, and opioid settlement funds are classified as restricted cash because they must be expended in accordance with their respective agreements. The unexpended installment purchase loan proceeds are classified as restricted assets within the General Fund, RCCC Facilities Capital Projects Fund, Public Schools Capital Projects Fund, West End Plaza Capital Projects Fund, Airport Fund because their use is completely restricted to the purpose for which the loans were originally issued. Unspent money allocated for tax revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Rowan County Restricted Cash			
Governmental Activities:			
General Fund	Unexpended loan proceeds	\$	7,998,000
General Fund	Unspent grant funds		76,886
General Fund	Tax revaluation		162,000
ARPA Fund	Unspent ARPA grant		13,561,894
Opioid settlement funds	Opioid settlement funds		1,830,530
West End Plaza Capital Projects Fund	Unexpended loan proceeds		24,867,382
Public Schools Capital Projects Fund	Unexpended loan proceeds		303,562
RCCC Facilities Capital Projects Fund	Unexpended loan proceeds		<u>5,671</u>
Total governmental activities			<u>48,805,925</u>
Business-Type Activities:			
Airport Fund	SCIF funds, including interest		5,183,831
Airport Fund	Unexpended loan proceeds		<u>17,481,094</u>
Total business-type activities			<u>22,664,925</u>
Total restricted cash		\$	<u><u>71,470,850</u></u>

4. 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. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

6. Leases Receivable

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

7. Inventories and Prepaid Items

The inventories of the County are valued at cost, which approximates market, using the first-in, first-out method. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the government-wide statement activities the cost of these inventories is expensed as the items are used. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used. Prepaid items for the County's governmental funds are treated using the consumption method.

8. Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The minimum capitalization cost is \$5,000 for all capital assets. 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 Rowan-Salisbury Board of Education, Kannapolis City Board of Education and Rowan-Cabarrus Community College 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 Boards of Education and Community College give the Board of Educations and Community College 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 Educations and community college, once 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 Rowan-Salisbury Board of Education, Kannapolis City Board of Education and the Rowan-Cabarrus Community College.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 of the County are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Buildings	
Office and other	30-50
Airport hangars	25-40
Recycling centers	15
Water system infrastructure	40
Land improvements	10-15
Machinery and equipment	5-20
Furniture and fixtures	7
Computer software	7
Vehicles and motorized equipment	5-10
Computer equipment	3-6

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

9. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criteria – pension and other post-employment benefits (OPEB), deferrals and contributions made to the pension and OPEB plans in the current fiscal year. 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 a future period and so will not be recognized as revenue until then. The County has several items that meet the criteria for this category – prepaid taxes, lease deferrals, pension deferrals and OPEB deferrals as presented on the Statement of Net Position, and property taxes receivable and other unavailable revenues additionally reported on the Balance Sheet – Governmental Funds.

10. 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.

11. Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days of earned vacation leave with such leave being fully vested when earned. For the County’s government-wide and proprietary funds statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

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

12. 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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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 a County Incentive Fund.

As of June 30, 2023, the County has received \$1,949,748 as part of this settlement. 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. In fiscal year 2023 the County expended \$179,209. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, 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 the eligible state, local, territorial, and tribal governments. The County was allocated \$27,598,928 of fiscal recovery funds to be paid in two equal installments. The first installment of \$13,799,464 was received in June 2021. The second installment of \$13,799,464 was received in June 2022. County staff and the Board of Commissioners have elected to use approximately \$2,317,000 of the ARPA funds for premium pay, including a one-time payments of \$2,000 per qualified employee totaling approximately \$1,640,000. During the year ended June 30, 2022, the County spent a total of \$5,007,787 in the ARPA Fund and transferred \$226,595 to the Water Fund and spent for a water infrastructure project. During the year ended June 30, 2023, the County spent a total of \$745,300 in the ARPA fund and transferred \$8,057,350 of revenue replacement funds to the General fund to be spent on salaries and benefits and capital projects.

14. Net Position

Net position in government-wide and proprietary fund financial statements is 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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

15. 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.

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

Leases – portion of fund balance that is not 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 by creditors or imposed by law.

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

Restricted for future capital projects – portion of fund balance that is restricted by revenue source for future County capital projects.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Restricted for emergency telephone – portion of fund balance that is restricted for expenditures to enhance the state’s 911 system.

Restricted for law enforcement – portion of fund balance that is restricted by revenue source for law enforcement expenditures [G.S. 105-113.105].

Restricted for Register of Deeds – portion of fund balance that is restricted by revenue source to pay for automation enhancement improvements in the Register of Deeds’ office.

Restricted for general government – Unspent debt proceeds – portion of fund balance that is restricted by revenue source to pay for capital improvements for the West End Plaza.

Restricted for human services – portion of fund that can only be used for opioid epidemic abatement or to benefit beneficiaries under the Social Security’s Representative Payee program.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the amount of unexpended loan proceeds of \$33,174,615 and Register of Deeds’ pension plan of \$267,265 for a net difference of \$32,907,350.

Committed Fund Balance: Portion of fund balance that can only be used for the specific purposes determined by formal action of the government’s highest level of decision-making authority (the County Board of Commissioners). The County Board of Commissioners can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken to remove or revise the limitation.

Committed for future projects – portion of fund balance that has been committed by the governing body for future grant and capital projects.

Committed for tax revaluation – portion of fund balance that can only be used for tax revaluation.

Assigned Fund Balance: Portion of fund balance that the County’s governing body has budgeted.

Assigned for subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Budget Officer to transfer appropriations within a fund, except from a contingency appropriation.

Assigned for agricultural extension – portion of fund balance that has been budgeted by the governing body for agricultural extension expenditures.

Assigned for animal services – portion of fund balance that has been budgeted by the governing body for animal service expenditures.

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Assigned for nature center – portion of fund balance that has been budgeted by the governing body for nature center expenditures.

Assigned for economic development – portion of fund balance that has been budgeted by the governing body for economic development expenditures.

Assigned for emergency services – portion of fund balance that has been budgeted by the governing body for emergency services expenditures.

Assigned for environmental management – portion of fund balance that has been budgeted by the governing body for environmental management expenditures.

Assigned for health – portion of fund balance that has been budgeted by the governing body for health department expenditures.

Assigned for information technology – portion of fund balance that has been budgeted by the governing body for information technology expenditures.

Assigned for law enforcement – portion of fund balance that has been budgeted by the governing body for law enforcement expenditures.

Assigned for libraries – portion of fund balance that has been budgeted by the governing body for library expenditures.

Assigned for planning – portion of fund balance that has been budgeted by the governing body for planning expenditures.

Assigned for recreation – portion of fund balance that has been budgeted by the governing body for recreation expenditures.

Assigned for social services – portion of fund balance that has been budgeted by the governing body for Department of Social Services expenditures.

Assigned for soil and water – portion of fund balance that has been budgeted by the governing body for soil and water expenditures.

Unassigned Fund Balance: Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds. Only the General Fund may report a positive unassigned fund balance.

The County has an informal revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond or installment purchase 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 Director has the authority to deviate from this informal policy if it is in the best interest of the County or when required by grant or other contractual agreements.

ROWAN COUNTY, NORTH CAROLINA
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The County also has an informal fund balance policy for the General Fund that instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 21.0 percent of expenditures and transfers out. Any portion of the General Fund available fund balance in excess of 21.0 percent may be appropriated for any purpose.

16. Defined Benefit Pension 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 Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For 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.

E. Management Estimates

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

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F. Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains “Some liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported in the fund.” The details of this (\$121,615,010) difference are as follows:

Bonds and installment financings	\$ (68,753,763)
Lease liabilities	(909,653)
Subscription liabilities	(332,983)
Accrued interest payable	(670,196)
Compensated absences	(4,691,283)
Net pension liability (LGERS)	(29,658,046)
Total pension liability (LEOSSA)	(5,005,387)
Total OPEB liability	<u>(11,593,699)</u>
Total	<u>\$ (121,615,010)</u>

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2. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net change in fund balance - total governmental funds* and *change in net position - governmental activities* as reported in the government-wide Statement of Activities. An element of that reconciliation states “The issuance of long-term debt and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$28,666,217 difference are as follows:

Issuance of debt, leases and subscriptions	\$ (37,404,322)
Principal repayments:	
General obligation debt	830,000
Installment financing	7,105,693
Lease liabilities	456,959
Subscription liabilities	321,624
Amortization of bond premium	<u>23,829</u>
Total	<u>\$ (28,666,217)</u>

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. 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 agents 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 its agents in the County’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 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 undercollateralization, 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.

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The County has no formal policy regarding custodial risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. 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.

At June 30, 2023, the County's deposits had a carrying amount of \$26,958,166 and a bank balance of \$28,870,153. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2023, the County had \$10,480 cash on hand.

2. Investments

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

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>
US Government Treasuries	Fair Value Level 1	\$ 47,975,405	\$ 32,627,400	\$ 15,348,005	\$ -
US Government Agencies	Fair Value Level 2	33,850,871	27,212,902	1,952,031	4,685,938
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>133,770,727</u>	<u>133,770,727</u>	<u>-</u>	<u>-</u>
Total		<u>\$ 215,597,003</u>	<u>\$ 193,611,029</u>	<u>\$ 17,300,036</u>	<u>\$ 4,685,938</u>

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 six -months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAA-mf by Moody's Investors 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 markets for identical assets. Level 2 - debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy limits at least half of the County's investment portfolio to maturities of less than 12 -months. Also, the County's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than five years.

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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 whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, the County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AA+ by Standard & Poor's and AAA-mf by Moody's Investors Service as of June 30, 2023. The County's investments in US Government Agencies are rated AA+ or AAA by Standard & Poor's and Aaa or AAA by Moody's Investors Service.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. Five percent or more of the County's total investments are in Federal Home Loan Bank (17 percent), Federal Home Loan Mortgage Corporation (5 percent), and U.S. Treasuries (16 percent.)

3. 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.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,394,684	\$ 1,281,238	\$ 6,675,922
2021	5,401,947	796,787	6,198,734
2022	5,385,149	309,646	5,694,795
2023	<u>5,701,735</u>	<u>-</u>	<u>5,701,735</u>
Total	<u>\$ 21,883,515</u>	<u>\$ 2,387,671</u>	<u>\$ 24,271,186</u>

ROWAN COUNTY, NORTH CAROLINA
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4. Receivables

a. Government-wide Receivables

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

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Total</u>
Governmental Activities:			
General	\$ 3,765,636	\$ 4,977,625	\$ 8,743,261
Opioid Settlement	25,226,189	-	25,226,189
Other governmental	23,517	469,128	492,645
Total receivables	29,015,342	5,446,753	34,462,095
Allowance for doubtful accounts	(7,106,219)	(1,558,530)	(8,664,749)
Total governmental activities	<u>\$ 21,909,123</u>	<u>\$ 3,888,223</u>	<u>\$ 25,797,346</u>
Business-type Activities			
Airport	\$ 1,979	\$ -	\$ 1,979
Landfill	639,315	-	639,315
Total receivables	641,294	-	641,294
Allowance for doubtful accounts	(46,414)	-	(46,414)
Total business-type activities	<u>\$ 594,880</u>	<u>\$ -</u>	<u>\$ 594,880</u>
Custodial Funds:			
Taxes receivable	\$ -	\$ 1,564,230	\$ 1,564,230
Allowance for doubtful accounts	-	(510,763)	(510,763)
Total custodial funds	<u>\$ -</u>	<u>\$ 1,053,467</u>	<u>\$ 1,053,467</u>

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The *due from other governments* that is owed to the County consists of the following:

Governmental Activities	
Local option sales tax	\$ 10,436,402
Other	4,232,042
Emergency 911 fees	<u>26,722</u>
Total governmental activities	<u>\$ 14,695,166</u>
Business-Type Activities:	
Aviation grants	\$ 30,537
Landfill grants	92,738
Water - City participation	<u>94,322</u>
Total business-type activities	<u>\$ 217,597</u>

b. Notes Receivable

During fiscal year 2012, the County sold the assets in the Sports Authority Fund to the City of Kannapolis, North Carolina, for a \$3,000,000 note receivable. The note receivable was donated to the General Fund upon closure of the Sports Authority Fund. During fiscal years 2012 and 2013, the County received interest payments of \$1,800 and \$3,600, respectively. During fiscal years 2014 through 2018, annual principal payments of \$62,500 were received. The County and the City, during fiscal year 2019, entered into an Interlocal Agreement to promote economic development at a new Interstate 85 interchange. The County agreed to provide financial assistance to the City for the extension of potable water and sanitary sewer infrastructure by releasing the City from its debt obligation of \$2,687,500, the balance on the note receivable at June 30, 2018, upon delivery of an executed copy of an Engineer of Record Certificate of Project Completion. At June 30, 2023, the project was considered complete, and the balance of this note receivable was forgiven.

c. Leases Receivable

Details of the County's leases receivable at June 30, 2023 are as follows:

On July 1, 2021, Rowan County, NC entered into a 46-month lease as lessor for the use of Hangar #28 - Bill Lucy - Paint. An initial lease receivable was recorded in the amount of \$107,393. As of June 30, 2023, the value of the lease receivable is \$51,782. The lessee is required to make monthly fixed payments of \$2,374. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of June 30, 2023 was \$51,362, and Rowan County recognized lease revenue of \$28,016 during the fiscal year.

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On July 1, 2021, Rowan County, NC entered into a 89-month lease as lessor for the use of Hangar # 31 Shoe Show Airport lease. An initial lease receivable was recorded in the amount of \$12,769. As of June 30, 2023, the value of the lease receivable is \$9,442. The lessee is required to make monthly fixed payments of \$151. The lease has an interest rate of 1.3750%. The value of the deferred inflow of resources as of June 30, 2023 was \$9,326, and Rowan County recognized lease revenue of \$1,722 during the fiscal year. The lessee had a termination period of 6 months as of the lease commencement.

On July 1, 2021, Rowan County, NC entered into a 141-month lease as lessor for the use of CC Holding - Providence Church Rd. An initial lease receivable was recorded in the amount of \$161,254. As of June 30, 2023, the value of the lease receivable is \$135,918. The lessee is required to make monthly fixed payments of \$1,265. The lease has an interest rate of 1.7590%. The value of the deferred inflow of resources as of June 30, 2023 was \$133,819, and Rowan County recognized lease revenue of \$13,717 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

On July 1, 2021, Rowan County, NC entered into a 53-month lease as lessor for the use of 1925 Jake Alexander Blvd W - cafeteria bldg. An initial lease receivable was recorded in the amount of \$275,631. As of June 30, 2023, the value of the lease receivable is \$155,950. The lessee is required to make monthly fixed payments of \$5,250. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of June 30, 2023 was \$151,364, and Rowan County recognized lease revenue of \$62,134 during the fiscal year. The lessee has 2 extension option(s), each for 24 months.

On July 1, 2021, Rowan County, NC entered into a 55-month lease as lessor for the use of 1805 E Innes St - SECU. An initial lease receivable was recorded in the amount of \$17,456. As of June 30, 2023, the value of the lease receivable is \$9,934. The lessee is required to make monthly fixed payments of \$325. The lease has an interest rate of 1.0590%. The value of the deferred inflow of resources as of June 30, 2023 was \$9,839, and Rowan County recognized lease revenue of \$3,809 during the fiscal year. The lessee has 1 extension option(s), each for 60 months.

On July 1, 2021, Rowan County, NC entered into a 49-month lease as lessor for the use of 115 Candlewick Drive - Bowman. An initial lease receivable was recorded in the amount of \$38,505. As of June 30, 2023, the value of the lease receivable is \$19,808. The lessee is required to make monthly fixed payments of \$800. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of June 30, 2023 was \$19,645, and Rowan County recognized lease revenue of \$9,430 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 210-month lease as lessor for the use of T-Hangar 2 Troy Day. An initial lease receivable was recorded in the amount of \$2,003. As of June 30, 2023, the value of the lease receivable is \$1,808. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.2230%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,774, and Rowan County recognized lease revenue of \$114 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 199-month lease as lessor for the use of T-Hangar 3 Mark Broadway. An initial lease receivable was recorded in the amount of \$1,936. As of June 30, 2023, the value of the lease receivable is \$1,735. The lessee is required to make monthly

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fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,703, and Rowan County recognized lease revenue of \$116 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 199-month lease as lessor for the use of T-Hangar 4 - Ketner lease. An initial lease receivable was recorded in the amount of \$1,936. As of June 30, 2023, the value of the lease receivable is \$1,735. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,702, and Rowan County recognized lease revenue of \$117 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 198-month lease as lessor for the use of T-Hangar 5 Russell Ashbaugh. An initial lease receivable was recorded in the amount of \$1,928. As of June 30, 2023, the value of the lease receivable is \$1,727. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,694, and Rowan County recognized lease revenue of \$117 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 197-month lease as lessor for the use of T-Hangar 1 Shelby Moore. An initial lease receivable was recorded in the amount of \$1,931. As of June 30, 2023, the value of the lease receivable is \$1,728. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.0680%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,697, and Rowan County recognized lease revenue of \$117 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 198-month lease as lessor for the use of T-Hangar 8 Jim Lanningham. An initial lease receivable was recorded in the amount of \$1,928. As of June 30, 2023, the value of the lease receivable is \$1,727. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,695, and Rowan County recognized lease revenue of \$117 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 198-month lease as lessor for the use of T-Hangar 7 Chris Michaels. An initial lease receivable was recorded in the amount of \$1,928. As of June 30, 2023, the value of the lease receivable is \$1,727. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,695, and Rowan County recognized lease revenue of \$116 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 198-month lease as lessor for the use of T-Hangar 9 Tino equipment. An initial lease receivable was recorded in the amount of \$1,928. As of June 30, 2023, the value of the lease receivable is \$1,727. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,695, and Rowan County recognized lease revenue of \$116 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 210-month lease as lessor for the use of T-Hangar 13 TONY THERRELL. An initial lease receivable was recorded in the amount of \$3,004. As of June 30, 2023, the value of the lease receivable is \$2,712. The lessee is required to make monthly

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fixed payments of \$17. The lease has an interest rate of 2.2230%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,661, and Rowan County recognized lease revenue of \$172 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 199-month lease as lessor for the use of T-Hangar 15 Charles Black. An initial lease receivable was recorded in the amount of \$2,903. As of June 30, 2023, the value of the lease receivable is \$2,603. The lessee is required to make monthly fixed payments of \$17. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,553, and Rowan County recognized lease revenue of \$175 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 202-month lease as lessor for the use of T-Hangar 12 Brian Hartwick. An initial lease receivable was recorded in the amount of \$2,928. As of June 30, 2023, the value of the lease receivable is \$2,628. The lessee is required to make monthly fixed payments of \$17. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,580, and Rowan County recognized lease revenue of \$174 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 197-month lease as lessor for the use of T-Hangar 16 Kim Barringer. An initial lease receivable was recorded in the amount of \$2,897. As of June 30, 2023, the value of the lease receivable is \$2,591. The lessee is required to make monthly fixed payments of \$17. The lease has an interest rate of 2.0680%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,544, and Rowan County recognized lease revenue of \$176 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 199-month lease as lessor for the use of T-Hangar 17 - Shelby Louis Moore. An initial lease receivable was recorded in the amount of \$3,719. As of June 30, 2023, the value of the lease receivable is \$3,442. The lessee is required to make monthly fixed payments of \$17. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$3,272, and Rowan County recognized lease revenue of \$223 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 210-month lease as lessor for the use of T-Hangar 19 - Larry Macon. An initial lease receivable was recorded in the amount of \$2,003. As of June 30, 2023, the value of the lease receivable is \$1,808. The lessee is required to make monthly fixed payments of \$12. The lease has an interest rate of 2.2230%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,774, and Rowan County recognized lease revenue of \$114 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 198-month lease as lessor for the use of T-Hangar 20 - Charles B. Black. An initial lease receivable was recorded in the amount of \$2,891. As of June 30, 2023, the value of the lease receivable is \$2,590. The lessee is required to make monthly fixed payments of \$17. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,542, and Rowan County recognized lease revenue of \$175 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 202-month lease as lessor for the use of T-Hangar 18 - Experimental Aircraft Association. An initial lease receivable was recorded in the amount of \$2,928. As of June 30, 2023, the value of the lease receivable is \$2,628. The lessee is

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required to make monthly fixed payments of \$17. The lease has an interest rate of 2.1460%. The value of the deferred inflow of resources as of June 30, 2023 was \$2,580, and Rowan County recognized lease revenue of \$174 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 33-month lease as lessor for the use of 100 S Enochville Ave. - First Horizons Bank. An initial lease receivable was recorded in the amount of \$6,536. As of June 30, 2023, the value of the lease receivable is \$1,795. The lessee is required to make monthly fixed payments of \$200. The lease has an interest rate of 0.7270%. The value of the deferred inflow of resources as of June 30, 2023 was \$1,783, and Rowan County recognized lease revenue of \$2,377 during the fiscal year. The lessee has 2 extension option(s), each for 60 months. The lessee had a termination period of three months as of the lease commencement.

On July 1, 2021, Rowan County, NC entered into a 26-month lease as lessor for the use of WEP - NC Quarter Midget Association. An initial lease receivable was recorded in the amount of \$39,658. As of June 30, 2023, the value of the lease receivable is \$3,065. The lessee is required to make monthly fixed payments of \$1,533. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of June 30, 2023 was \$3,051, and Rowan County recognized lease revenue of \$18,304 during the fiscal year. The lessee has two extension option(s), each for 60 months.

On August 1, 2021, Rowan County, NC entered into a 36-month lease as lessor for the use of 27274 Old Concord Rd - US Dept of Agriculture. An initial lease receivable was recorded in the amount of \$47,299. As of June 30, 2023, the value of the lease receivable is \$17,175. The lessee is required to make monthly fixed payments of \$1,326. The lease has an interest rate of 0.6320%. The value of the deferred inflow of resources as of June 30, 2023 was \$17,080, and Rowan County recognized lease revenue of \$15,766 during the fiscal year.

On July 1, 2021, Rowan County, NC entered into a 99-month lease as lessor for the use of Hangar # 18, 19, 21 Carolina Avionics. An initial lease receivable was recorded in the amount of \$142,299. As of June 30, 2023, the value of the lease receivable is \$109,279. The lessee is required to make monthly fixed payments of \$1,525. The lease has an interest rate of 1.4510%. The value of the deferred inflow of resources as of June 30, 2023 was \$107,964, and Rowan County recognized lease revenue of \$17,167 during the fiscal year. The lessee has one extension option(s), each for 60 months.

On July 1, 2022, Rowan County, NC entered into a 33-month lease as lessor for the use of Tower – SBA Properties. An initial lease receivable was recorded in the amount of \$42,053. As of June 30, 2023, the value of the lease receivable is \$27,003. The lessee is required to make monthly fixed payments of \$1,312. The lease has an interest rate of 2.1840%. The value of the deferred inflow of resources as of June 30, 2023 was \$26,761, and Rowan County recognized lease revenue of \$15,292 during the fiscal year.

On July 1, 2022, Rowan County, NC entered into a 54-month lease as lessor for the use of WEP – Bank of America ATM. An initial lease receivable was recorded in the amount of \$56,406. As of June 30, 2023, the value of the lease receivable is \$44,297. The lessee is required to make monthly fixed payments of \$1,100. The lease has an interest rate of 2.3660%. The value of the deferred inflow of resources as of June 30, 2023 was \$43,871, and Rowan County recognized lease revenue of \$12,535 during the fiscal year. The lessee has one extension option(s), each for 60 months.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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On July 1, 2022, Rowan County, NC entered into a 34-month lease as lessor for the use of 3670 Airport Loop Road – Hwy Patrol. An initial lease receivable was recorded in the amount of \$44,979. As of June 30, 2023, the value of the lease receivable is \$29,367. The lessee is required to make monthly fixed payments of \$1,363. The lease has an interest rate of 2.1840%. The value of the deferred inflow of resources as of June 30, 2023 was \$29,104, and Rowan County recognized lease revenue of \$15,875 during the fiscal year.

On July 1, 2022, Rowan County, NC entered into a 36-month lease as lessor for the use of 2727 Old Concord Rd – NC Dept of Agriculture. An initial lease receivable was recorded in the amount of \$7,080. As of June 30, 2023, the value of the lease receivable is \$4,763. The lessee is required to make monthly fixed payments of \$203. The lease has an interest rate of 2.1840%. The value of the deferred inflow of resources as of June 30, 2023 was \$4,720, and Rowan County recognized lease revenue of \$2,360 during the fiscal year.

On July 1, 2022, Rowan County, NC entered into a 60-month lease as lessor for the use of WEP – Suite D8 – Hair Salon. An initial lease receivable was recorded in the amount of \$36,263. As of June 30, 2023, the value of the lease receivable is \$29,365. The lessee is required to make monthly fixed payments of \$650. The lease has an interest rate of 3.0020%. The value of the deferred inflow of resources as of June 30, 2023 was \$29,010, and Rowan County recognized lease revenue of \$7,253 during the fiscal year.

On July 1, 2022, Rowan County, NC entered into a 21-month lease as lessor for the use of WEP – Dollar Tree Store #35 – Salisbury Mall. An initial lease receivable was recorded in the amount of \$263,845. As of June 30, 2023, the value of the lease receivable is \$114,028. The lessee is required to make monthly fixed payments of \$12,777. The lease has an interest rate of 2.0240%. The value of the deferred inflow of resources as of June 30, 2023 was \$113,076, and Rowan County recognized lease revenue of \$150,769 during the fiscal year.

On November 1, 2022, Rowan County, NC entered into a 60-month lease as lessor for the use of WEP – SECU ATM. An initial lease receivable was recorded in the amount of \$31,847. As of June 30, 2023, the value of the lease receivable is \$27,822. The lessee is required to make monthly fixed payments of \$575. The lease has an interest rate of 3.3050%. The value of the deferred inflow of resources as of June 30, 2023 was \$27,601, and Rowan County recognized lease revenue of \$4,246 during the fiscal year. The lessee has one extension option(s), each for 60 months.

On April 1, 2023, Rowan County, NC entered into a 60-month lease as lessor for the use of WEP – 1935 Jake Alexander Blvd W - Badcock. An initial lease receivable was recorded in the amount of \$645,075. As of June 30, 2023, the value of the lease receivable is \$613,506. The lessee is required to make monthly fixed payments of \$11,458. The lease has an interest rate of 2.6820%. The value of the deferred inflow of resources as of June 30, 2023 was \$612,822, and Rowan County recognized lease revenue of \$32,254 during the fiscal year. The lessee has one extension option(s), each for 60 months.

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Year Ending	Governmental Activities			Business-Type Activities		
June 30	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 380,036	\$ 22,547	\$ 402,583	\$ 73,982	\$ 3,293	\$ 77,275
2025	249,630	16,252	265,882	67,503	2,298	69,801
2026	199,388	11,192	210,580	21,936	1,695	23,631
2027	167,324	6,656	173,980	21,459	1,373	22,832
2028	119,119	2,528	121,647	21,798	1,045	22,843
2029-2033	69,126	2,979	72,105	35,184	2,247	37,431
2034-2038	-	-	-	12,490	681	13,171
2039-2043	-	-	-	240	2	242
Total	\$ 1,184,623	\$ 62,154	\$ 1,246,777	\$ 254,592	\$ 12,634	\$ 267,226

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

5. Capital Assets

a. Primary Government

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 9,938,595	\$ 281,895	\$ (532,570)	\$ 9,687,920
Construction in progress	<u>7,945,335</u>	<u>3,813,593</u>	<u>-</u>	<u>11,758,928</u>
Total non-depreciable capital assets	<u>17,883,930</u>	<u>4,095,488</u>	<u>(532,570)</u>	<u>21,446,848</u>
Depreciable Capital Assets:				
Buildings	62,576,237	819,474	(319,636)	63,076,075
Other improvements	27,117,980	896,848	(153,625)	27,861,203
Equipment	24,988,648	1,005,425	(6,244,870)	19,749,203
Vehicles and motorized equipment	<u>17,195,470</u>	<u>1,509,492</u>	<u>(3,518,594)</u>	<u>15,186,368</u>
Total depreciable capital assets	<u>131,878,335</u>	<u>4,231,239</u>	<u>(10,236,725)</u>	<u>125,872,849</u>
Right-to-use Assets:				
Lease building	414,642	109,099	(75,777)	447,964
Lease equipment	1,216,358	42,616	(1,030)	1,257,944
Lease land	500	-	(500)	-
Subscription	<u>-</u>	<u>668,382</u>	<u>-</u>	<u>668,382</u>
Total right-to-use assets	<u>1,631,500</u>	<u>820,097</u>	<u>(77,307)</u>	<u>2,374,290</u>
Less Accumulated Depreciation:				
Buildings	28,398,566	1,343,900	(316,939)	29,425,527
Other improvements	20,232,293	470,523	(97,474)	20,605,342
Equipment	19,979,526	1,418,424	(5,269,999)	16,127,951
Vehicles and motorized equipment	<u>13,836,286</u>	<u>1,377,605</u>	<u>(3,384,051)</u>	<u>11,829,840</u>
Total accumulated depreciation	<u>82,446,671</u>	<u>4,610,452</u>	<u>(9,068,463)</u>	<u>77,988,660</u>

ROWAN COUNTY, NORTH CAROLINA
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	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Governmental Activities (cont'd):				
Less Accumulated Amortization:				
Lease building	95,605	149,239	(75,777)	169,067
Lease equipment	305,805	328,690	(1,030)	633,465
Lease land	500	-	(500)	-
Subscription	-	304,751	-	304,751
Total accumulated amortization	<u>401,910</u>	<u>782,680</u>	<u>(77,307)</u>	<u>1,107,283</u>
Governmental activities capital assets, net	<u>\$ 68,545,184</u>			<u>\$ 70,598,044</u>

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

General government	\$ 1,772,859
Public safety	2,681,973
Transportation	125,450
Economic and physical development	9,233
Human services	211,782
Cultural and recreational	<u>591,835</u>
Total depreciation expense	<u>\$ 5,393,132</u>

ROWAN COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2023

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Business-Type Activities:				
Airport				
Non-Depreciable Capital Assets:				
Land	\$ 2,871,045	\$ -	\$ -	\$ 2,871,045
Construction in progress	-	9,016	-	9,016
Total non-depreciable capital assets	<u>2,871,045</u>	<u>9,016</u>	<u>-</u>	<u>2,880,061</u>
Depreciable Capital Assets:				
Buildings	10,672,124	1,104,415	-	11,776,539
Other improvements	16,586,409	133,267	(2,165,601)	14,554,075
Equipment	418,649	17,925	(33,578)	402,996
Vehicles and motorized equipment	<u>69,431</u>	<u>-</u>	<u>-</u>	<u>69,431</u>
Total depreciable capital assets	<u>27,746,613</u>	<u>1,255,607</u>	<u>(2,199,179)</u>	<u>26,803,041</u>
Less Accumulated Depreciation:				
Buildings	4,914,007	316,722	-	5,230,729
Other improvements	13,193,898	354,197	(2,165,601)	11,382,494
Equipment	342,602	38,310	(33,578)	347,334
Vehicles and motorized equipment	<u>40,586</u>	<u>5,870</u>	<u>-</u>	<u>46,456</u>
Total accumulated depreciation	<u>18,491,093</u>	<u>715,099</u>	<u>(2,199,179)</u>	<u>17,007,013</u>
Airport business-type activities capital assets, net	<u>12,126,565</u>			<u>12,676,089</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Landfill				
Non-Depreciable Capital Assets:				
Land	<u>1,562,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,562,473</u>
Depreciable Capital Assets:				
Buildings	762,061	-	-	762,061
Other improvements	20,115,701	2,633,763	(56,556)	22,692,908
Equipment	2,546,463	741,780	(6,650)	3,281,593
Vehicles and motorized equipment	<u>4,432,746</u>	<u>-</u>	<u>(7,000)</u>	<u>4,425,746</u>
Total depreciable capital assets	<u>27,856,971</u>	<u>3,375,543</u>	<u>(70,206)</u>	<u>31,162,308</u>
Right-to-use Assets:				
Lease land	-	13,778	-	13,778
Subscriptions	<u>-</u>	<u>31,442</u>	<u>-</u>	<u>31,442</u>
Total right-to-use assets	<u>-</u>	<u>45,220</u>	<u>-</u>	<u>45,220</u>
Less Accumulated Depreciation:				
Buildings	396,771	24,920	-	421,691
Other improvements	17,280,481	1,002,970	(14,580)	18,268,871
Equipment	906,738	272,887	(6,650)	1,172,975
Vehicles and motorized equipment	<u>3,733,148</u>	<u>264,669</u>	<u>(7,000)</u>	<u>3,990,817</u>
Total accumulated depreciation	<u>22,317,138</u>	<u>1,565,446</u>	<u>(28,230)</u>	<u>23,854,354</u>
Less Accumulated Amortization:				
Leased land	-	3,445	-	3,445
Subscriptions	<u>-</u>	<u>15,721</u>	<u>-</u>	<u>15,721</u>
Total accumulated amortization	<u>-</u>	<u>19,166</u>	<u>-</u>	<u>19,166</u>
Landfill business-type activities capital assets, net	<u>7,102,306</u>			<u>8,896,481</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Water				
Depreciable Capital Assets:				
Other improvements	3,372,625	\$ 559,241	\$ -	3,931,866
Less Accumulated Depreciation:				
Other improvements	267,705	98,930	-	366,635
Water business-type activities capital assets, net	3,104,920			3,565,231
Business-type activities capital assets, net	\$ 22,333,791			\$ 25,137,801

b. Construction Commitments

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

Project	Incurred- to-Date	Remaining Commitment
Rowan Salisbury Schools HVAC Improvements	\$ 6,320,223	\$ 222,074
West End Plaza Agriculture Center & Meeting Hall	4,592,430	22,555,672
Rowan Salisbury Schools Knox Middle School Project	1,546,254	978,246
Rowan Cabarrus Community College Architect Fees	137,686	4,362,314
Roadway Project for Dog Adoption Center	628,640	-
Courthouse Roof Replacement	464,786	-
Facilities Roof Replacement	586,165	-
Woodleaf Community Park	105,202	945,333
Airport Localizer Replacement	5,516	209,997
Airport Glidescope Project	525,806	-
On-Airport Obstruction Project	499,566	179,083
Airport Hangar Projects	1,176,202	307,404
Airport - Taxi Rehab Project	44,198	-
Landfill Cell V Construction	2,634,608	9,070,390
Total	\$ 19,267,282	\$ 38,830,513

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>IBNR</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:					
General	\$ 4,703,605	\$ 2,438,477	\$ 4,251,264	\$ 239,730	\$ 11,633,076
Other governmental	<u>3,284,642</u>	<u>2,566</u>	<u>521,337</u>	<u>246,958</u>	<u>4,055,503</u>
Total governmental activities	<u>\$ 7,988,247</u>	<u>\$ 2,441,043</u>	<u>\$ 4,772,601</u>	<u>\$ 486,688</u>	<u>\$ 15,688,579</u>
Business-type Activities:					
Airport	\$ 457,200	\$ 14,578	\$ -	\$ -	\$ 471,778
Landfill	1,744,271	89,843	-	-	1,834,114
Water	<u>93,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,968</u>
Total business-type activities	<u>\$ 2,295,439</u>	<u>\$ 104,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,399,860</u>

2. Pension Plan and Other Postemployment Obligations

a. 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 (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report 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, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6 percent 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 percent of compensation for law enforcement officers and 12.10 percent 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 \$5,945,270 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 percent 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.

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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 \$31,016,571 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, 2023, the County's proportion was 0.550 percent, (measured as of June 30, 2022) which was a decrease of 0.010 percent from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$8,951,558. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,336,476	\$ 131,034
Changes of assumptions	3,094,759	-
Net difference between projected and actual earnings on pension plan investments	10,251,301	-
Changes in proportion and differences between County contributions and proportionate share of contributions	242,429	116,168
County's contributions subsequent to the measurement date	5,945,270	-
Total	<u>\$ 20,870,235</u>	<u>\$ 247,202</u>

ROWAN COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2023

\$5,945,270 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 or outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Total</u>
2024	\$ 4,683,573
2025	3,984,569
2026	1,120,088
2027	4,889,533
2028	-
Thereafter	-
Total	<u>\$ 14,677,763</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation, with the exception of the discount rate, 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, 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 future mortality improvements.

The actuarial assumptions and methods 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.

ROWAN COUNTY, NORTH CAROLINA
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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 or arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	33.0%	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	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was 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 percent. 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 percent. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits payments to determine the total pension liability.

ROWAN COUNTY, NORTH CAROLINA
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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 percent, 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 percent) or one-percentage-point higher (7.50 percent) 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)	<u>\$ 55,980,916</u>	<u>\$ 31,016,571</u>	<u>\$ 10,444,501</u>

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Law Enforcement Officers' Special Separation Allowance	
Retirees receiving benefits	21
Active plan members	<u>123</u>
Total	<u>144</u>

A separate report was not issued for the plan.

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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 and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the 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
Projected 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 total pension liability is the S&P Municipal Bond 20-Year High Grade Rate Index.

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

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

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

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

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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. The County paid \$310,199 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 \$5,005,387. 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 \$641,138.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and administrative costs subsequent to measurement date	\$ 198,108	\$ -
Difference between expected and actual experience	207,296	25,240
Changes of assumptions and other inputs	<u>668,043</u>	<u>747,933</u>
Total	<u>\$ 1,073,447</u>	<u>\$ 773,173</u>

\$198,108 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2024	\$ 184,044
2025	149,830
2026	(34,024)
2027	(148,839)
2028	(48,845)
Thereafter	-
Total	<u>\$ 102,166</u>

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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	<u>\$ 5,337,176</u>	<u>\$ 5,005,387</u>	<u>\$ 4,667,732</u>

Schedule of Changes in Total Pension Liability	
Law Enforcement Officers' Special Separation Allowance	
Beginning balance	<u>\$ 5,746,791</u>
Service cost	279,672
Interest on the total pension liability	125,813
Difference between expected and actual experience	(30,583)
Changes of assumptions and other inputs	(806,107)
Benefit payments made	<u>(310,199)</u>
Net change in total pension liability	<u>(741,404)</u>
Ending balance of the total pension liability	<u>\$ 5,005,387</u>

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25 percent at December 31, 2021 (measurement date) to 4.31 percent at December 31, 2022 (measurement date).

Changes in Benefit Terms. There are no changes in benefit terms since the prior measurement date.

c. Supplemental Retirement Income Plan for 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

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of North Carolina. The state's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling 919-981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each -month an amount equal to five percent 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 \$368,049 for the reporting year. No amounts were forfeited.

d. Supplemental Retirement Income Plan for Non-Law Enforcement Employees

Plan Description. The County contributes to the Supplemental Retirement Income Plan of North Carolina (401(k) Plan), a defined contribution pension plan sponsored by the State of North Carolina and governed by the Department of State Treasurer and a Board of Trustees. The Department and Board have contracted with Prudential Retirement to be the Plan Administrator. The Plan provides retirement benefits to eligible non-law enforcement employees of the County. The Rowan County Board of Commissioners has the authority to establish and amend contribution requirements and other benefit provisions.

Funding Policy. The County contributes to the Plan each month an amount equal to three percent of each eligible employee's salary, and all amounts contributed are vested immediately. County non-law enforcement employees may also make voluntary contributions to the Plan.

The County contributed \$1,076,484 for the reporting year. No amounts were forfeited.

e. Registers of Deeds' Supplemental Pension Fund

Plan Description. Rowan County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing, multiple-employer 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 Government Employees' Retirement System (LERS) 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 LERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The RODSPF 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 RODSPF. 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.

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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 10 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 percent 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 \$13,067 for the year ended June 30, 2023.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the County reported an asset of \$177,875 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 (measurement date), the County's proportion was 1.343 percent, which was an increase of 0.033 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense (benefit) of \$31,147. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,370	\$ 3,224
Changes of assumptions	9,418	-
Net difference between projected and actual earnings on pension plan investments	73,931	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	5,172
County's contributions subsequent to the measurement date	13,067	-
Total	<u>\$ 97,786</u>	<u>\$ 8,396</u>

ROWAN COUNTY, NORTH CAROLINA
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\$13,067 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 or outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Total
2024	\$ 19,046
2025	14,071
2026	24,612
2027	18,594
2028	-
Thereafter	-
Total	\$ 76,323

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

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, 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 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 cost of living amounts are not considered to be substantively automatic and are, therefore, not included in the measurement.

ROWAN COUNTY, NORTH CAROLINA
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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 returns 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 adopted asset allocation policy for the RODSPF is 99.9 percent 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 percent.

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was 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 percent. 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 percent. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension asset is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those 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 benefits 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 percent, 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 percent) or one-percentage-point higher (4.00 percent) 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)	<u>\$ (205,027)</u>	<u>\$ (177,875)</u>	<u>\$ (302,738)</u>

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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.

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

The net pension liability for LGERS and ROD was measured as of June 30, 2022, and 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 for LEOSSA was measured as of June 30, 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:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>ROD</u>	<u>Total</u>
Proportionate share of net pension liability (asset)	\$ 31,016,571	N/A	\$ (177,875)	\$ 30,838,696
Proportion of the net pension liability (asset)	0.550%	N/A	-1.34%	-
Total pension liability	-	5,005,387	-	5,005,387
Pension expense	8,951,558	641,138	31,147	9,623,843

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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	\$ 1,336,476	\$ 207,296	\$ 1,370	\$ 1,545,142
Changes of assumptions	3,094,759	668,043	9,418	3,772,220
Net difference between projected and actual earnings on pension plan investments	10,251,301	-	73,931	10,325,232
Changes in proportion and differences between County contributions and proportionate share of contributions	242,429	-	-	242,429
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	5,945,270	198,108	13,067	6,156,445
Total deferred outflows of resources	<u>\$ 20,870,235</u>	<u>\$ 1,073,447</u>	<u>\$ 97,786</u>	<u>\$ 22,041,468</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 131,034	\$ 25,240	\$ 3,224	\$ 159,498
Changes of assumptions	-	747,933	-	747,933
Changes in proportion and differences between County contributions and proportionate share of contributions	116,168	-	5,172	121,340
Total deferred inflows of resources	<u>\$ 247,202</u>	<u>\$ 773,173</u>	<u>\$ 8,396</u>	<u>\$ 1,028,771</u>

g. Healthcare Benefits Plan

Plan Description. Under the terms of a County resolution adopted on December 1, 2002, the County administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides post-employment healthcare benefits to retirees of the County, provided they (a) qualify for unreduced retirement benefits from the North Carolina Local Governmental Employees' Retirement System (LGERS), (b) have at least twenty consecutive years of creditable service with the County, (c) are at least 55 years of age at the time of retirement, and (d) are not eligible for Medicare coverage through the Social Security Administration. On January 21, 2012, the HCB Plan was amended to exclude the participation of employees hired after the amendment date. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for benefits of eligible retirees, and the County's eligible retirees can purchase coverage for their dependents at the County's group rates. The Rowan County Board of Commissioners may amend the benefits provisions. A separate report was not issued for the Plan. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

Retirees and dependents receiving benefits	44
Active members	235
Total	<u>279</u>

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Total OPEB Liability

The County's total OPEB liability of \$11,918,248 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation:	
General employees	3.25%-8.41%
Firefighters	3.25%-8.15%
Law enforcement officers	3.25%-7.90%
Municipal Bond Index Rate:	
Prior measurement date	2.16%
Measurement date	3.54%
Healthcare cost trend rates:	
Pre-Medicare medical and prescription drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2022	\$ 13,161,926
Changes for the Year:	
Service cost	357,592
Interest	287,443
Differences between expected and actual experience	(731,256)
Changes of assumptions or other inputs	(731,229)
Benefit payments	(426,228)
Net changes	(1,243,678)
Balance at June 30, 2023	\$ 11,918,248

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 total OPEB liability.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16 percent to 3.54 percent, and the decremental and salary increase assumptions have been updated based on the most recent NCLGERS experience analysis and change in discount rate.

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, 2022 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, 2022 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2022 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.54 percent) or one-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	<u>\$ 12,723,984</u>	<u>\$ 11,918,248</u>	<u>\$ 11,169,375</u>

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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 one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	<u>\$ 11,059,702</u>	<u>\$ 11,918,248</u>	<u>\$ 12,875,877</u>

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 \$897,300. 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	\$ 160,353	\$ 636,861
Changes of assumptions	1,333,159	616,588
Benefit payments and plan administrative expense made subsequent to the measurement date	353,020	-
Total	<u>\$ 1,846,532</u>	<u>\$ 1,253,449</u>

\$353,020 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	\$ 241,206
2025	201,516
2026	(97,470)
2027	(105,189)
2028	-
Thereafter	-
Total	<u>\$ 240,063</u>

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3. Other Employment Benefits

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

Under the terms of a County resolution, the County provides death and dismemberment benefits to employees through the Standard Insurance Company. The beneficiaries of those employees who die in active service after the first day of the -month following their thirtieth day of employment are eligible for death benefits. A lump-sum benefit payment of \$32,000 is paid to the employee's chosen beneficiary. Employees who sustain an accidental bodily injury resulting in certain losses of limbs and/or sight are eligible for dismemberment benefits. A lump-sum benefit payment not to exceed \$32,000 is paid to the insured employee. All benefit payments are made by Standard Insurance Company. The County has no liability beyond the payment of -monthly contributions. For the fiscal year ended June 30, 2023, the County made contributions to Standard Insurance Company totaling \$38,627.

If an employee's beneficiaries receive death benefits in excess of \$50,000, the amount greater than \$50,000 is considered taxable to the employee as a fringe benefit.

4. Closure and Post-closure Care Costs - Rowan County Landfill Facility

State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only 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 \$17,484,630 reported as landfill closure and post-closure care liability at June 30, 2023 represents a cumulative amount reported to-date, based on the use of 94 percent of the total estimated capacity of the current landfill cells. The County will recognize the remaining estimated cost of closure, post-closure care and potential assessment and corrective action of \$949,549 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2023. The County expects to close the landfill facility, including all current and future cells, in the year 2081. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that helps determine if a unit is financially able to meet closure and post-closure care requirements. The County expects that future inflation costs will be paid from investment earnings in the Landfill Fund or by charges to future landfill users.

5. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pensions - difference between expected and actual experience	\$ 1,545,142	\$ 159,498
Pensions - difference between projected and actual investment earnings	10,325,232	-
Pensions - change in proportion and difference between employer contributions and proportionateshare of contributions	242,429	121,340
Pensions - change of assumptions	3,772,220	747,933
Contributions to pension plan	5,958,337	-
Benefit payments and administration costs paid subsequent to the measurement date (LEOSSA)	198,108	-
OPEB - difference between expected and actual experience	160,353	636,861
OPEB - change of assumptions	1,333,159	616,588
Benefit payments and plan administrative expense made subsequent to the measurement date	353,020	-
Prepaid taxes not yet earned (General Fund)	-	368,723
General Fund lease deferrals	-	1,174,797
Airport lease deferrals	-	251,562
Government-wide deferred outflows and inflows of resources	23,888,000	4,077,302
Taxes receivable, net (General Fund)	-	3,419,096
Taxes receivable, net (Special Revenue Fund)	-	469,128
Health department receivable, net (General Fund)	-	178,392
Opioid settlement receivable, net (Special Revenue Fund)	-	20,180,951
Total	<u>\$ 23,888,000</u>	<u>\$ 28,324,869</u>

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6. 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 participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$219 million; professional and employment practices liability coverage subject to a limit of \$2.0 million per occurrence; general and auto liability coverage of \$2.0 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence; and workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$750,000 retention up to a \$2.0 million limit for liability coverage, and \$2,500,000 of each loss in excess of a \$500,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

As part of the County's blanket property coverage, the County carries flood insurance with an annual aggregate limit of \$219 million. The flood insurance has a \$25,000 per structure deductible. The County currently has no structures located within an area that has been mapped and designated

The County provides employee health benefits through a self-insured plan provided by Blue Cross Blue Shield of North Carolina (BCBSNC). Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss per individual member and cumulative specific stop-loss deductible are set at \$100,000 and \$150,000, respectively, per contract year with an unlimited lifetime maximum.

In accordance with G.S. 159-29, County employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Director, Tax Collector, Register of Deeds, and Sheriff are individually bonded for \$200,000, \$200,000, \$50,000 and \$25,000, respectively. The remaining employees who have access to funds are bonded under a blanket crime coverage policy, with a \$250,000 per loss limit. As of January 1, 2023 G.S. 159-29 was revised to increase the Finance Director's individual bond to an amount equal to 10% of the unit's annually budgeted funds, up to one million dollars. LGC Memo 2023-06 provides change must occur on bonds obtained or renewed after January 1, 2023. The current bond for the Finance Director will be renewed and updated on July 13, 2024.

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.

The Risk Management Internal Service Fund is funded by charges to the government's other funds. 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 (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether they are allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component

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of the claims liability estimate. The County's Risk Manager and third-party administrators believe that the liabilities of the fund at June 30, 2023 will be paid within the next 12 -months.

Changes in the balances of claims liabilities during the past two years are as follows:

	Workers' Compensation		Health Insurance	
	Year Ended June 30		Year Ended June 30	
	2023	2022	2023	2022
Unpaid claims, beginning of fiscal year	\$ 269,648	\$ 221,181	\$ 3,352,110	\$ 4,396,108
Incurred claims (including IBNRs)	1,362,620	802,949	10,240,483	10,465,088
Claim payments	(1,110,931)	(754,482)	(9,341,329)	(11,509,086)
Unpaid claims, end of fiscal year	<u>\$ 521,337</u>	<u>\$ 269,648</u>	<u>\$ 4,251,264</u>	<u>\$ 3,352,110</u>

7. Contingent Liabilities

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

8. Long-term Obligations

a. Lease Liabilities

The County has entered into agreements to lease certain building, equipment, and land. 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 July 1, 2021, Rowan County, NC entered into a 51-month lease as lessee for the use of postage machine - finance department. An initial lease liability was recorded in the amount of \$38,948. As of June 30, 2023, the value of the lease liability is \$20,763. Rowan County is required to make quarterly fixed payments of \$2,333. The lease has an interest rate of 0.8930%. The value of the right-to-use asset as of June 30, 2023 is \$38,948 with accumulated amortization of \$18,186.

On July 1, 2021, Rowan County, NC entered into a 26-month lease as lessee for the use of letter opener - Board of Elections. An initial lease liability was recorded in the amount of \$1,344. As of June 30, 2023, the value of the lease liability is \$0. Rowan County is required to make quarterly fixed payments of \$169. The lease has an interest rate of 0.5140%. The value of the right-to-use asset as of June 30, 2023 is \$1,344 with accumulated amortization of \$1,215.

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On July 1, 2021, Rowan County, NC entered into a 46-month lease as Lessee for the use of Axon camera & equipment - sheriff. An initial lease liability was recorded in the amount of \$1,061,241. As of June 30, 2023, the value of the lease liability is \$532,271. Rowan County is required to make annual fixed payments of \$270,703. The lease has an interest rate of 1.1420%. The value of the right-to-use asset as of June 30, 2023 is \$1,061,241 with accumulated amortization of \$553,691.

On July 1, 2021, Rowan County, NC entered into a 26-month lease as lessee for the use of IM1B - Board of Election. An initial lease liability was recorded in the amount of \$1,344. As of June 30, 2023, the value of the lease liability is \$0. Rowan County is required to make quarterly fixed payments of \$169. The lease has an interest rate of 0.5140%. The value of the right-to-use asset as of June 30, 2023 is \$1,344 with accumulated amortization of \$1,222.

On January 1, 2022, Rowan County, NC entered into a 42-month lease as lessee for the use of Schofield lease - corporate square bldg 2 Site G. An initial lease liability was recorded in the amount of \$338,865. As of June 30, 2023, the value of the lease liability is \$194,442. Rowan County is required to make -monthly fixed payments of \$8,155. The lease has an interest rate of 0.6240%. The value of the right-to-use asset as of June 30, 2023 is \$338,865 with accumulated amortization of \$145,228.

On July 1, 2021, Rowan County, NC entered into a 38-month lease as Lessee for the use of Quadient leasing - library. An initial lease liability was recorded in the amount of \$1,982. As of June 30, 2023, the value of the lease liability is \$665. Rowan County is required to make quarterly fixed payments of \$167. The lease has an interest rate of 0.7270%. The value of the right-to-use asset as of June 30, 2023 is \$1,982 with accumulated amortization of \$1,249.

On July 1, 2021, Rowan County, NC entered into a 38-month lease as lessee for the use of postage meter - health department. An initial lease liability was recorded in the amount of \$2,047. As of June 30, 2023, the value of the lease liability is \$687. Rowan County is required to make quarterly fixed payments of \$173. The lease has an interest rate of 0.7270%. The value of the right-to-use asset as of June 30, 2023 is \$2,047 with accumulated amortization of \$1,272.

On April 1, 2022, Rowan County, NC entered into a 46-month lease as lessee for the use of Axon camera & equipment - additional officers. An initial lease liability was recorded in the amount of \$20,149. As of June 30, 2023, the value of the lease liability is \$10,762. Rowan County is required to make annual fixed payments of \$5,474. The lease has an interest rate of 1.1420%. The value of the right-to-use asset as of June 30, 2023 is \$20,149 with accumulated amortization of \$6,430.

On November 1, 2021, Rowan County, NC entered into a 46-month lease as lessee for the use of Axon camera & equipment - bailiffs. An initial lease liability was recorded in the amount of \$68,383. As of June 30, 2023, the value of the lease liability is \$34,189. Rowan County is required to make annual fixed payments of \$17,388. The lease has an interest rate of 1.1420%. The value of the right-to-use asset as of June 30, 2023 is \$88,273 with accumulated amortization of \$38,296.

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On July 1, 2022, Rowan County, NC entered into a 32-month lease as lessee for the use of Truist Bank building. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2023, the value of the lease liability is \$8,242. Rowan County is required to make monthly fixed payments of \$420. The lease has an interest rate of 2.1840%. The value of the right-to-use asset as of June 30, 2023 is \$13,068 with accumulated amortization of \$4,901.

On July 1, 2022, Rowan County, NC entered into a 48-month lease as lessee for the use of Stokes Ferry Rd. – Lisa Trexler. An initial lease liability was recorded in the amount of \$13,778. As of June 30, 2023, the value of the lease liability is \$10,430. Rowan County is required to make monthly fixed payments of \$300. The lease has an interest rate of 2.2750%. The value of the right-to-use asset as of June 30, 2023 is \$13,778 with accumulated amortization of \$3,444.

On July 1, 2022, Rowan County, NC entered into a 14-month lease as lessee for the use of postage machine – tax administration. An initial lease liability was recorded in the amount of \$7,718. As of June 30, 2023, the value of the lease liability is \$1,551. Rowan County is required to make quarterly fixed payments of \$1,559. The lease has an interest rate of 2.0240%. The value of the right-to-use asset as of June 30, 2023 is \$7,718 with accumulated amortization of \$6,615.

On September 14, 2022, Rowan County, NC entered into a 60-month lease as lessee for the use of Quadient leasing - DSS. An initial lease liability was recorded in the amount of \$19,812. As of June 30, 2023, the value of the lease liability is \$15,940. Rowan County is required to make quarterly fixed payments of \$1,047. The lease has an interest rate of 2.3660%. The value of the right-to-use asset as of June 30, 2023 is \$19,812 with accumulated amortization of \$3,159.

On October 5, 2022, Rowan County, NC entered into a 60-month lease as lessee for the use of Quadient leasing – sheriff dept postage meters. An initial lease liability was recorded in the amount of \$6,882. As of June 30, 2023, the value of the lease liability is \$5,894. Rowan County is required to make quarterly fixed payments of \$373. The lease has an interest rate of 3.3050%. The value of the right-to-use asset as of June 30, 2023 is \$6,882 with accumulated amortization of \$1,017.

On October 27, 2022, Rowan County, NC entered into a 60-month lease as lessee for the use of Quadient leasing – sheriff dept folding machine. An initial lease liability was recorded in the amount of \$8,204. As of June 30, 2023, the value of the lease liability is \$7,020. Rowan County is required to make quarterly fixed payments of \$444. The lease has an interest rate of 3.3050%. The value of the right-to-use asset as of June 30, 2023 is \$8,204 with accumulated amortization of \$1,112.

On February 9, 2023, Rowan County, NC entered into a 24-month lease as lessee for the use of Tower – Youngs Mountain NC2. An initial lease liability was recorded in the amount of \$96,031. As of June 30, 2023, the value of the lease liability is \$77,227. Rowan County is required to make monthly fixed payments of \$3,878. The lease has an interest rate of 2.7070%. The value of the right-to-use asset as of June 30, 2023 is \$96,031 with accumulated amortization of \$18,940.

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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 June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 455,167	\$ 10,068	\$ 465,235	\$ 3,398	\$ 202	\$ 3,600
2025	436,940	4,558	441,498	3,476	124	3,600
2026	9,433	358	9,791	3,556	44	3,600
2027	7,304	154	7,458	-	-	-
2028	809	7	816	-	-	-
Total	<u>\$ 909,653</u>	<u>\$ 15,145</u>	<u>\$ 924,798</u>	<u>\$ 10,430</u>	<u>\$ 370</u>	<u>\$ 10,800</u>

b. Subscription Liabilities

For the year ended June 30, 2023 the County implemented the requirements of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (Subscriptions). The Statement provides a definition of Subscriptions and provides uniform guidance for accounting and financial reporting for such transactions. The guidance will decrease diversity in the accounting and financial reporting for these transactions, thereby, increasing comparability in financial reporting among governments. Further, the reporting of a subscription asset (a right-to-use intangible capital asset) and a subscription liability will enhance the relevance and reliability of the financial statements.

On July 1, 2022, Rowan County, NC entered into a 24-month subscription for the use of WasteWorks suite. An initial subscription liability was recorded in the amount of \$31,442. As of June 30, 2023, the value of the subscription liability is \$15,800. Rowan County is required to make quarterly fixed payments of \$4,000. The subscription has an interest rate of 2.0237%. The value of the right-to-use asset as of June 30, 2023 is \$31,442 with accumulated amortization of \$15,721.

On July 1, 2022, Rowan County, NC entered into a 27-month subscription for the use of ESD Microsoft Software. An initial subscription liability was recorded in the amount of \$423,960. As of June 30, 2023, the value of the subscription liability is \$210,918. Rowan County is required to make annual fixed payments of \$230,250. The subscription has an interest rate of 2.0240%. The value of the right-to-use asset as of June 30, 2023 is \$423,960 with accumulated amortization of \$188,427.

On July 1, 2022, Rowan County, NC entered into a 36-month subscription for the use of CAMA CloudSM Software. An initial subscription liability was recorded in the amount of \$41,516. As of June 30, 2023, the value of the subscription liability is \$35,416. Rowan County is required to make annual fixed payments of \$18,290. The subscription has an interest rate of 2.1840%. The value of the right-to-use asset as of June 30, 2023 is \$51,291 with accumulated amortization of \$17,097.

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On July 1, 2022, Rowan County, NC entered into a 24-month subscription for the use of Cott Systems Operating Software. An initial subscription liability was recorded in the amount of \$54,026. As of June 30, 2023, the value of the subscription liability is \$27,240. Rowan County is required to make monthly fixed payments of \$2,295. The subscription has an interest rate of 2.0240%. The value of the right-to-use asset as of June 30, 2023 is \$54,026 with accumulated amortization of \$27,013.

On July 16, 2022, Rowan County, NC entered into a 12-month subscription for the use of Laserfiche Software. An initial subscription liability was recorded in the amount of \$32,190. As of June 30, 2023, the value of the subscription liability is \$0. Rowan County is required to make annual fixed payments of \$34,443. The subscription has an interest rate of 1.7100%. The value of the right-to-use asset as of June 30, 2023 is \$32,190 with accumulated amortization of \$30,849.

On July 31, 2022, Rowan County, NC entered into a 11-month subscription for the use of Wrike Solution Subscription. An initial subscription liability was recorded in the amount of \$5,964. As of June 30, 2023, the value of the subscription liability is \$0. Rowan County is required to make annual fixed payments of \$5,964. The subscription has an interest rate of 1.7100%. The value of the right-to-use asset as of June 30, 2023 is \$0 with accumulated amortization of \$0.

On August 19, 2022, Rowan County, NC entered into a 11-month subscription for the use of Cloud Drive Mapper. An initial subscription liability was recorded in the amount of \$10,800. As of June 30, 2023, the value of the subscription liability is \$0. Rowan County is required to make annual fixed payments of \$10,800. The subscription has an interest rate of 2.0240%. The value of the right-to-use asset as of June 30, 2023 is \$10,800 with accumulated amortization of \$10,211.

On September 12, 2022, Rowan County, NC entered into a 14-month subscription for the use of Software NGFW. An initial subscription liability was recorded in the amount of \$11,193. As of June 30, 2023, the value of the subscription liability is \$5,549. Rowan County is required to make annual fixed payments of \$5,644. The subscription has an interest rate of 1.7100%. The value of the right-to-use asset as of June 30, 2023 is \$11,193 with accumulated amortization of \$7,702.

On September 13, 2022, Rowan County, NC entered into a 14-month subscription for the use of Global Protect and Professional Subscription. An initial subscription liability was recorded in the amount of \$2,177. As of June 30, 2023, the value of the subscription liability is \$1,079. Rowan County is required to make annual fixed payments of \$1,097. The subscription has an interest rate of 1.7100%. The value of the right-to-use asset as of June 30, 2023 is \$2,177 with accumulated amortization of \$1,493.

On February 1, 2023, Rowan County, NC entered into a 24-month subscription for the use of DebtBook Platform. An initial subscription liability was recorded in the amount of \$72,781. As of June 30, 2023, the value of the subscription liability is \$52,781. Rowan County is required to make annual fixed payments of \$20,000. The subscription has an interest rate of 2.7070%. The value of the right-to-use asset as of June 30, 2023 is \$76,781 with accumulated amortization of \$15,995.

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

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 285,875	\$ 6,884	\$ 292,759	\$ 15,800	\$ 200	\$ 16,000
2025	47,108	1,182	48,290	-	-	-
Total	<u>\$ 332,983</u>	<u>\$ 8,066</u>	<u>\$ 341,049</u>	<u>\$ 15,800</u>	<u>\$ 200</u>	<u>\$ 16,000</u>

c. General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit and taxing power of the County. The bonds bear interest, payable semi-annually, at rates varying from 1.25 percent to 4.0 percent. Principal and interest payments are appropriated when due.

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

\$12,000,000 2011 community college serial bonds due on December 1 in
installments ranging from \$400,000 to \$830,000 through December 2026;
interest ranging from 2.0% to 3.0% \$ 3,300,000

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

Year Ending June 30	Principal	Interest	Total
2024	\$ 825,000	\$ 86,625	\$ 911,625
2025	825,000	61,875	886,875
2026	825,000	37,125	862,125
2027	825,000	12,375	837,375
Total	<u>\$ 3,300,000</u>	<u>\$ 198,000</u>	<u>\$ 3,498,000</u>

At June 30, 2023, Rowan County had a legal debt margin of approximately \$1,095,086,000.

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d. Installment Purchase Agreements

As authorized by state law (G.S. 160A-20 and 153A-158.1), the County has entered into agreements to finance the acquisition and/or construction of certain assets such as land, facilities, water and sewer improvements, and equipment. All principal and interest payments are appropriated when due.

Installment purchase agreements at June 30, 2023 involve separate agreements as described below:

Serviced by the General Fund:

\$6,500,000 2015 direct placement installment purchase agreement for construction of a central office building for the Rowan-Salisbury School System, payable on August 1 and February 1 in installments of \$232,143 through February 2030, plus interest at 2.48%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) exercise all remedies available at law or in equity under the Deed of Trust, including sale of property with proceeds used to cover costs and remaining principal balance, (3) enforce applicable covenants of the agreement or recover for the breach thereof.

\$ 3,250,000

\$2,500,000 2015 direct placement installment purchase agreement for HVAC and dental renovations at Rowan-Cabarrus Community College, payable on April 1 and October 1 in installments of \$125,000 through October 2025, plus interest at 2.45%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) repossess any or all of the equipment and use proceeds to cover all costs and applying the remainder of the proceeds to the amount owed, (3) take any other remedy available, at law or in equity.

625,000

\$6,500,000 2017 direct placement installment purchase agreement for various roof renovations and security improvements for the Rowan-Salisbury School System, payable on September 1 and March 1 in installments of \$325,000 through March 2027, plus interest at 2.40%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.

2,600,000

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\$27,500,000 2017 direct placement installment purchase agreement for construction of an elementary school, payable on September 1 and March 1 in installments of \$1,309,524 through September 2029, plus interest at 2.21%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.

17,023,809

\$1,300,000 2019 direct placement installment purchase agreement for various building and athletic facilities renovations for schools in the Kannapolis City School System, payable on November 1 and May 1 in installments of \$130,000 through May 2024, plus interest at 2.67%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of any proceeds of the property, (3) enforce applicable covenants of the agreement or recover for the breach thereof, (4) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina or any other law.

260,000

\$7,100,000 2020 direct placement installment purchase agreement for the purchase of improvements at Rowan-Cabarrus Community College and HVAC improvements in Rowan-Salisbury Schools, payable on December 1 and June 1 in installments of \$355,000 through June 2029, plus interest at 2.08%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina (4) take possession of proceeds of the Property, including Net Proceeds, (5) pursue any other remedy available at law or equity.

4,260,000

\$1,600,000 2020 direct placement installment purchase agreement for the purchase of improvements in Kannapolis City Schools and concession stand at Dan Nicholas Park, payable on September 1 and March 1 in installments of \$166,554 through March 2025, including interest at 1.649%, secured by capital improvements and equipment. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of the collateral vehicles and equipment, (3) instruct any escrow agent who is holding proceeds of the Property Schedule to release the proceeds to the Seller, (4) take any action, at law or in equity, that is permitted by applicable law to enforce or protect any of its rights under the Property Schedule and the agreement.

652,559

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\$1,000,000 2020 direct placement installment purchase agreement for the purchase of vehicles and equipment, payable on November 1 and May 1 in installments of \$170,739 through May 2023, including interest at 1.530%, secured by vehicles and equipment. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of the collateral vehicles and equipment, (3) instruct any escrow agent who is holding proceeds of the Property Schedule to release the proceeds to the Seller, (4) take any action, at law or in equity, that is permitted by applicable law to enforce or protect any of its rights under the Property Schedule and the agreement.

4,749

\$900,000 2020 direct placement installment purchase agreement for the purchase of vehicles and equipment, payable on June 1 and December 1 in installments of \$152,660 through December 2023, including interest at 0.990%, secured by vehicles and equipment. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of the collateral vehicles and equipment, (3) instruct any escrow agent who is holding proceeds of the Property Schedule to release the proceeds to the Seller, (4) take any action, at law or in equity, that is permitted by applicable law to enforce or protect any of its rights under the Property Schedule and the agreement.

137,310

\$7,998,000 2023 direct placement installment purchase agreement for the purchase of real property, payable on October 1 and April 1 in installments of \$1,600,000 through October 2027, including interest at 3.540%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any 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 Borrower's performance of the applicable covenants of this Contract or to recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner Lender may reasonably deem appropriate, (4) avail itself of all available remedies under this Contract, including execution and recovery of attorneys' fees and other expenses.

7,998,000

\$28,600,000 2023 direct placement installment purchase agreement for the purchase of real property, payable on August 1 and February 1 in installments of \$1,907,000 through February of 2038, including interest at 3.570%, secured by real property. The agreement contains provisions that an event of default would allow the Bank to exercise any one or more of the following remedies: (1) all amounts becoming immediately due and payable, (2) proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Contract or to recover for the breach thereof, (3) exercise all rights and remedies of a secured party or creditor under the Deed of Trust, (4) take possession of any proceeds of the property, including net proceeds, (5) impose the default rate on all outstanding obligations of the County owed to the bank, (6) pursue any other remedy available at law or equity to the bank.

28,600,000

Total

\$ 65,411,427

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Serviced by the Airport Fund:

<p>\$2,400,000 2016 direct placement installment purchase agreement for construction of a hangar payable on August 1 and February 1 in installments of \$141,099 through February 2026, including interest at 3.40%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of and sell the property, with the proceeds being used to cover costs and then being applied to the amount owed, (3) enforce applicable covenants of the agreement or recover for the breach thereof.</p>	\$ 797,791
<p>\$9,311,000 2023 direct placement installment purchase agreement for construction of new airport hangars payable on June 1 and December 1 in installments ranging from \$1,259, 600 to \$1,270,128 until June of 2033, including interest at 4.390%, secured by real property. The agreement contains provisions that an event of default would allow the lender to have the right to any of the following remedies: (1) all amounts become immediately due and payable, (2) exercise all remedies available at law or in equity or under the Security agreement, including sale of the equipment, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of installment payments due; and (4) subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of this contract or to recover for the breach thereof.</p>	9,311,000
<p>\$8,127,000 2023 direct placement installment purchase agreement for construction of new airport hangars payable on June 1 and December 1 in installments of interest only beginning of December 2023 and then installments ranging from \$1,554,000 to \$1,554,800 until June of 2038, including interest at 3.620%, secured by real property. The agreement contains provisions that an event of default would allow the lender to have the right to any of the following remedies: (1) all amounts become immediately due and payable, (2) exercise all remedies available at law or in equity or under the Security agreement, including sale of the equipment, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of installment payments due; and (4) subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of this contract or to recover for the breach thereof.</p>	8,127,000
Total	\$ <u>18,235,791</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Annual debt service requirements to maturity for the County's installment purchase agreements are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 8,926,067	\$ 1,857,295	\$ 1,131,911	\$ 704,805
2025	8,529,218	1,656,147	1,155,792	680,944
2026	8,075,333	1,419,700	1,204,088	632,579
2027	7,949,333	1,191,939	970,000	584,684
2028	7,299,333	969,595	1,012,000	542,101
2029-2033	15,102,143	2,853,397	5,768,000	2,003,670
2034-2036	<u>9,530,000</u>	<u>1,020,663</u>	<u>6,994,000</u>	<u>777,576</u>
Total	<u>\$ 65,411,427</u>	<u>\$ 10,968,736</u>	<u>\$ 18,235,791</u>	<u>\$ 5,926,359</u>

e. Debt Related to Capital Activities

Of the June 30, 2023 *total governmental activities* debt of \$69,996,399 listed on the next page, only \$38,227,405 relates to assets to which the County holds title.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

f. 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
Governmental Activities:					
General obligation bonds	\$ 4,130,000	\$ -	\$ (830,000)	\$ 3,300,000	\$ 825,000
Plus: Premium on issuance	66,165	-	(23,829)	42,336	18,522
Total general obligation debt	4,196,165	-	(853,829)	3,342,336	843,522
Direct placement installment purchase agreements	35,919,120	36,598,000	(7,105,693)	65,411,427	8,926,067
Lease liabilities	1,214,897	151,715	(456,959)	909,653	455,167
Subscription liabilities	-	654,607	(321,624)	332,983	285,875
Compensated absences	4,295,390	1,412,526	(1,016,633)	4,691,283	967,364
Net pension liability (LGRS)	8,217,991	21,440,055	-	29,658,046	-
Total pension liability (LEOSSA)	5,746,791	-	(741,404)	5,005,387	-
Total OPEB liability	12,804,419	-	(1,210,720)	11,593,699	344,000
Total governmental activities	<u>\$ 72,394,773</u>	<u>\$ 60,256,903</u>	<u>\$ (11,706,862)</u>	<u>\$ 120,944,814</u>	<u>\$ 11,821,995</u>
Business-Type Activities:					
Airport					
Direct placement installment purchase agreements	\$ 1,046,067	\$ 17,438,000	\$ (248,276)	\$ 18,235,791	\$ 1,131,911
Compensated absences	16,405	5,920	(5,262)	17,063	5,401
Net pension liability (LGRS)	42,972	112,111	-	155,083	-
Total OPEB liability	17,245	-	(2,115)	15,130	1,000
Total airport activities	<u>1,122,689</u>	<u>17,556,031</u>	<u>(255,653)</u>	<u>18,423,067</u>	<u>1,138,312</u>
Landfill					
Accrued landfill closure and post-closure care costs	15,726,029	1,758,601	-	17,484,630	-
Lease liabilities	-	13,778	(3,348)	10,430	3,398
Subscription liabilities	-	31,442	(15,642)	15,800	15,800
Compensated absences	90,339	60,124	(30,359)	120,104	40,362
Net pension liability (LGRS)	333,463	869,979	-	1,203,442	-
Total OPEB liability	340,262	-	(30,843)	309,419	9,000
Total landfill activities	<u>16,490,093</u>	<u>2,733,924</u>	<u>(80,192)</u>	<u>19,143,825</u>	<u>68,560</u>
Total business-type activities	<u>\$ 17,612,782</u>	<u>\$ 20,289,955</u>	<u>\$ (335,845)</u>	<u>\$ 37,566,892</u>	<u>\$ 1,206,872</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

Compensated absences, pension liabilities and other post-employment liabilities for governmental activities typically have been liquidated in the General Fund and are accounted for on a last in, first out (LIFO) basis, assuming that employees are taking leave time as it is earned.

g. Conduit Debt Obligations

Rowan County Industrial Facilities and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were no industrial revenue bonds outstanding.

C. Interfund Activity

Transfers to/from other funds for the year ended June 30, 2023 consist of the following:

<u>Purpose</u>	<u>Amount</u>
From the General Fund to the Airport Fund to provide funds for new hangars and generator	\$ 1,026,675
From the General Fund to the Risk Assessment Fund for professional and property liability costs	480,000
From the Risk Management Fund to the General Fund for share of insurance proceeds	6,379
From the ARPA Fund to the General Fund for grant expenditures	<u>8,057,350</u>
Total	<u>\$ 9,570,404</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

D. Fund Balance

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

Total fund balance - General Fund	\$ 128,488,175
Less:	
Non-spendable:	
Inventories	64,251
Prepays	22,243
Leases	9,826
Restricted:	
Stabilization by state statute	19,260,336
Fund balance, available for appropriation	<u>109,131,519</u>
Less:	
Restricted:	
Education capital	7,034,899
Future capital projects	8,369,156
Law enforcement	204,603
Register of Deeds	80,907
Committed:	
Future capital projects	2,905,762
Tax revaluation	162,000
Assigned:	
Subsequent year's expenditures	10,947,265
Agriculture extension	64,195
Animal services	15,859
Nature center	49,168
Economic development	5,298,150
Emergency services	69,944
Environmental management	73,846
Health	5,149,853
Information technology	58,532
Law enforcement	169,893
Libraries	147,531
Planning	31,739
Recreation	161,246
Social services	2,816,552
Soil and water	13,341
	<u>43,824,441</u>
Fund balance, unassigned	<u>\$ 65,307,078</u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

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

	General Fund
Encumbrances	<u><u>\$ 3,065,630</u></u>

NOTE 3 - JOINT VENTURES

The County participates in a joint venture to operate Vaya Health (formally Cardinal Innovations Healthcare Solutions) with four other local governments. Each participating government appoints four board members to the twenty-member board. The County has an ongoing financial responsibility for the joint venture because Vaya Health's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in Vaya Health, 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 \$492,000 to Vaya Health to supplement its activities. Complete financial statements for Vaya Health may be obtained from their administrative offices at 200 Ridgely Court, Suite 206, Asheville, NC 28806.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College and Cabarrus County, participates in a joint venture to operate the Rowan-Cabarrus Community College. Each of the four participants, except Cabarrus County who only appoints two members, appoints four members of the fifteen-member board of trustees of the community college. The president of the community college's student government association serves as a non-voting, *ex officio* member of the board of trustees. 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. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. The amount outstanding on debt issued for this purpose was \$4,285,000 at June 30, 2023. 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 \$1,428,420 and \$2,978,636 to the community college for capital and operating purposes, respectively, during the fiscal year ended June 30, 2023. In addition, the County made debt service payments of \$1,279,780 during the fiscal year on debt issued for community college capital facilities. 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 P.O. Box 1595, Salisbury, NC 28145.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 4 - JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with eight other counties and 74 municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$27,273 to the Council during the fiscal year ended June 30, 2023. The County was the subrecipient of grants totaling \$843,556 from the Administration for Community Living of the North Carolina Department of Health and Human Services that was passed through the Council.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2023, the County collected and remitted occupancy taxes to its discretely presented component unit, Rowan County Tourism Development Authority, in the amount of \$1,436,537. At June 30, 2023, the County owed the Tourism Development Authority \$239,730 for occupancy taxes not yet remitted.

NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State-Assisted Programs

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

The County's net investment in capital assets at June 30, 2023 is calculated as follows:

	Governmental Activities	Business-type Activities
Total capital and right-to-use assets	<u>\$ 70,598,044</u>	<u>\$ 25,137,801</u>
Less: Total long term debt	(69,996,399)	(18,262,021)
Less: Construction payables for County assets	(3,455,637)	(247,219)
Add: Debt related to schools:		
General obligation debt	3,342,336	-
Schools '20 (RCCC Paving)	360,000	-
Schools '20 (RSS - HVAC)	3,900,000	-
Schools '20 (KCS - Tech)	407,849	-
Kannapolis City schools	260,000	-
Central office building loan	3,250,000	-
HVAC and dental renovations loan	625,000	-
Roof and security improvements loan	2,600,000	-
West Elementary School loan	17,023,809	-
Debt related to capital assets	<u>(41,683,042)</u>	<u>(18,509,240)</u>
Add: Total restricted cash and cash equivalents	48,805,925	22,664,925
Less: Restricted cash related to schools:		
Public Schools Capital Projects Fund	(303,562)	-
RCCC Facilities Capital Projects Fund	(5,671)	-
Less: Restricted cash not related to capital assets	<u>(15,631,310)</u>	<u>(5,183,831)</u>
Restricted cash related to capital assets	<u>32,865,382</u>	<u>17,481,094</u>
Total net investment in capital assets	<u><u>\$ 61,780,384</u></u>	<u><u>\$ 24,109,655</u></u>

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2023

NOTE 8 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide an enhanced understanding of the County's financial position or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

NOTE 9 – RESTATEMENT

For the year ended June 30, 2023, the financial statements included a prior period adjustment to beginning fund balance of the Opioid Settlement Fund of \$577,800 on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds (modified accrual fund statements), and to the beginning net position of the governmental activities on the Statement of Activities (full accrual statements) in the amount of \$12,146,917. These adjustments relate to new information on how to account for Opioid Settlement fund revenue, receivable, and allowance recognition.

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

- *Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for the Local Governmental Employees' Retirement System*
- *Schedule of County Contributions for the Local Governmental Employees' Retirement System*
- *Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for the Register of Deeds' Supplemental Pension Fund*
- *Schedule of County Contributions for the Register of Deeds' Supplemental Pension Fund*
- *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*
- *Schedule of Changes in Total OPEB Liability and Related Ratios*

REQUIRED SUPPLEMENTAL FINANCIAL DATA



ROWAN COUNTY, NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
Last Ten Fiscal Years *

EXHIBIT A-1

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset)	0.550%	0.560%	0.539%	0.532%	0.538%	0.512%	0.497%	0.495%	0.496%	0.488%
County's proportionate share of the net pension liability (asset)	\$ 31,016,571	\$ 8,594,426	\$ 19,245,757	\$ 14,540,248	\$ 12,764,623	\$ 7,826,220	\$ 10,556,070	\$ 2,219,870	\$ (2,923,785)	\$ 5,888,300
County's covered payroll	\$ 43,234,691	\$ 39,627,726	\$ 38,357,054	\$ 35,762,815	\$ 34,484,113	\$ 32,262,530	\$ 30,164,424	\$ 29,558,749	\$ 28,714,717	\$ 27,638,394
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	71.74%	21.69%	50.18%	40.66%	37.02%	24.26%	35.00%	7.51%	10.18%	21.30%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

SCHEDULE OF COUNTY CONTRIBUTIONS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,945,270	\$ 4,950,476	\$ 4,060,880	\$ 3,489,877	\$ 2,823,800	\$ 2,633,575	\$ 2,375,968	\$ 2,062,868	\$ 2,109,508	\$ 2,061,923
Contributions in relation to the contractually required contribution	5,945,270	4,950,476	4,060,880	3,489,877	2,823,800	2,633,575	2,375,968	2,062,868	2,109,508	2,061,923
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 48,669,041	\$ 43,234,691	\$ 39,627,726	\$ 38,357,054	\$ 35,762,815	\$ 34,484,113	\$ 32,262,530	\$ 30,164,424	\$ 29,558,749	\$ 28,714,717
Contributions as a percentage of covered payroll	12.22%	11.45%	10.25%	9.10%	7.90%	7.64%	7.36%	6.84%	7.14%	7.18%

ROWAN COUNTY, NORTH CAROLINA
REGISTER OF DEEDS' SUPPLEMENTAL PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION
Last Ten Fiscal Years *

EXHIBIT A-2

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	-1.34%	-1.31%	-1.30%	-1.24%	-1.37%	-1.32%	-1.29%	-1.26%	-1.26%	-1.21%
County's proportionate share of the net pension liability (asset)	\$ (177,875)	\$ (251,646)	\$ (298,292)	\$ (245,012)	\$ (226,229)	\$ (226,125)	\$ (241,808)	\$ (292,131)	\$ (286,601)	\$ (257,639)
Plan fiduciary net position as a percentage of the total pension liability (asset)**	139.04%	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

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

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

SCHEDULE OF COUNTY CONTRIBUTIONS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 13,067	\$ 15,401	\$ 15,719	\$ 12,463	\$ 11,796	\$ 11,689	\$ 11,510	\$ 10,566	\$ 10,087	\$ 10,324
Contributions in relation to the contractually required contribution	<u>13,067</u>	<u>15,401</u>	<u>15,719</u>	<u>12,463</u>	<u>11,796</u>	<u>11,689</u>	<u>11,510</u>	<u>10,566</u>	<u>10,087</u>	<u>10,324</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE

REQUIRED SUPPLEMENTARY INFORMATION

Last Seven Fiscal Years *

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 5,746,791	\$ 5,504,788	\$ 4,017,447	\$ 3,814,654	\$ 3,481,413	\$ 3,237,793	\$ 3,300,253
Service cost	279,672	287,930	172,033	151,412	163,316	131,635	133,008
Interest on the total pension liability	125,813	103,477	126,595	134,850	106,483	121,071	113,438
Differences between expected and actual experience	(30,583)	273,913	(948)	35,295	410,690	(5,794)	-
Changes of assumptions or other inputs	(806,107)	(136,748)	1,457,971	101,214	(123,828)	199,211	(63,455)
Benefits payments	(310,199)	(286,569)	(268,310)	(219,978)	(223,420)	(202,503)	(245,451)
Ending balance of the total pension liability	<u>\$ 5,005,387</u>	<u>\$ 5,746,791</u>	<u>\$ 5,504,788</u>	<u>\$ 4,017,447</u>	<u>\$ 3,814,654</u>	<u>\$ 3,481,413</u>	<u>\$ 3,237,793</u>

* The amounts presented were determined as of the prior December 31.

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 5,005,387	\$ 5,746,791	\$ 5,504,788	\$ 4,017,447	\$ 3,814,654	\$ 3,481,413	\$ 3,237,793
Covered-employee payroll	\$ 6,945,613	\$ 6,687,358	\$ 6,271,748	\$ 5,938,044	\$ 6,200,696	\$ 5,635,900	\$ 5,322,051
Total pension liability as a percentage of covered-employee payroll	72.07%	85.94%	87.77%	67.66%	61.52%	61.77%	60.84%

Note: The schedules shown above are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

ROWAN COUNTY, NORTH CAROLINA
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
Last Six Fiscal Years*

EXHIBIT A-4

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 357,592	\$ 305,985	\$ 270,464	\$ 250,230	\$ 273,585	\$ 294,851
Interest on the total OPEB liability	287,443	266,305	364,394	381,622	318,895	275,078
Differences between expected and actual experience	(731,256)	(51,531)	261,705	(140,253)	342,978	18,901
Changes of assumptions or other inputs	(731,229)	1,164,342	1,235,421	292,545	260,131	(406,198)
Benefits payments	<u>(426,228)</u>	<u>(531,453)</u>	<u>(524,471)</u>	<u>(383,716)</u>	<u>(303,306)</u>	<u>(423,683)</u>
Net change in total OPEB liability	(1,243,678)	1,153,648	1,607,513	400,428	892,283	(241,051)
Total OPEB liability - beginning	<u>13,161,926</u>	<u>12,008,278</u>	<u>10,400,765</u>	<u>10,000,337</u>	<u>9,108,054</u>	<u>9,349,105</u>
Total OPEB liability - ending	<u>\$ 11,918,248</u>	<u>\$ 13,161,926</u>	<u>\$ 12,008,278</u>	<u>\$ 10,400,765</u>	<u>\$ 10,000,337</u>	<u>\$ 9,108,054</u>
Covered-employee payroll	\$ 12,849,548	\$ 14,904,763	\$ 14,904,763	\$ 15,691,188	\$ 15,691,188	\$ 17,843,231
Total OPEB liability as a percentage of covered-employee payroll	92.75%	88.31%	80.57%	66.28%	63.73%	51.04%

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

Notes to Schedule:

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:

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

Note: The schedules shown above are intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Rowan County has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Brief descriptions of the Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust are included in this Appendix C. Such descriptions do not purport to be comprehensive or definitive; all references herein to the Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust are qualified in their entirety by reference to each such document, copies of which are available for review at the offices of the Trustee.

Definitions

The following is a summary of certain definitions set forth in the Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust and used in this Official Statement.

“Additional Payments” means the additional payments required to be made by the County pursuant to the Trust Agreement.

“Additional Project” means any building, facility, fixture or other improvement financed or refinanced with the proceeds of Bonds, other than the Project.

“Authorized Officer” means the County Manager, the Finance Director or other person designated from time to time to perform the duties imposed on an Authorized Officer by the Trust Agreement pursuant to an Officer’s Certificate with the Trustee for such purpose.

“Authorized Denomination” means \$5,000 and any integral multiple thereof (subject to the restriction set forth in any Supplemental Trust Agreement).

“Beneficiary” means The Bank of New York Mellon Trust Company, N.A., and its successors and assigns, as beneficiary under the Deed of Trust.

“Board of Commissioners” means the Board of Commissioners for the County.

“Bond” or “Bonds” means the Series 2024 Bonds and any other notes or bonds issued under the provisions of the Trust Agreement and secured on a parity with each other by the Trust Agreement.

“Bond Counsel” means an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the tax-exempt status of interest on, obligations issued by states and their political subdivisions and acceptable to the County and the Trustee.

“Bond Fund” means the fund created and designated the County of Rowan, North Carolina Limited Obligation Bonds Bond Fund by the Trust Agreement.

“Business Day” means a day on which the Trustee and the New York Stock Exchange are open for the purpose of conducting their businesses.

“Construction Fund” means the special fund to be held by the Trustee and created with respect to a Series of Bonds by the related Supplemental Trust Agreement, and, for purposes of the Series 2024 Bonds, means the Series 2024 Construction Fund.

“Costs of Issuance” means and further includes all items of expense directly or indirectly payable by or reimbursable to the County relating to the issuance of Bonds under the Trust Agreement, including,

but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and expenses of the Trustee, bond insurance premiums, initial credit or liquidity facility fees, Trustee, remarketing and tender agent fees, legal fees and expenses, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such rating agencies, fees for execution, transportation and safekeeping of the Bonds and charges, fees and expenses in connection with the foregoing.

“County” means the County of Rowan, North Carolina, a body corporate and politic and a political subdivision of the State, and any successor thereto.

“Deed of Trust” means the Deed of Trust, dated as of October 1, 2024, from the County to the Deed of Trust Trustee, for the benefit of the Trustee, granting a lien on the Mortgaged Property, including any amendment or supplement thereto as permitted thereby and by the Trust Agreement.

“Deed of Trust Trustee” means the person or other entity at the time serving as trustee under the Deed of Trust.

“Defaulted Interest” means any interest on any Bond of any Series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

“Defeasance Obligations” means noncallable Government Obligations.

“Derivative Agreement” means an interest rate swap, cap, collar, floor, forward, option, put, call or other agreement, arrangement or security however denominated, entered into by the County in order to hedge interest rate fluctuations on all or a portion of the Bonds or to provide debt management by changing the interest payments on any of the Bonds to be made by the County with a goal of achieving lower interest costs or reducing interest rate risk.

“Derivative Agreement Additional Payments” means payments required to be paid by the County under a Derivative Agreement other than Derivative Agreement Scheduled Payments, including termination payments required to be paid in connection with the early termination of a Derivative Agreement, whether voluntarily or upon the occurrence of an event of default, termination event or similar event thereunder.

“Derivative Agreement Scheduled Payments” means scheduled payments required to be paid by the County under a Derivative Agreement that are based upon a fixed or variable imputed rate on a notional amount set forth in the Derivative Agreement and which are intended by the County to correspond to interest on the underlying Bonds to which the Derivative Agreement relates.

“Event of Default” means each of those events of default set forth in the Trust Agreement and described in “SUMMARY OF THE TRUST AGREEMENT — Events of Default” below.

“Event of Nonappropriation” means (a) the failure by the Board of Commissioners to budget and appropriate in its budget for any Fiscal Year moneys sufficient to pay all payments of principal and interest on the Bonds (reasonably estimated in the case of any Bonds issued bearing a variable interest rate) and the reasonably estimated Additional Payments coming due in such Fiscal Year or (b) the deletion by the Board of Commissioners from its duly adopted budget of any appropriation made for the purposes specified in clause (a) above. In the event that during any Fiscal Year, Additional Payments will become due and payable that were not included in the County’s current budget, and if there are no moneys available to pay such Additional Payments within sixty (60) days subsequent to the date upon which such Additional

Payments are due and payable, an Event of Nonappropriation will be deemed to have occurred upon notice being given by the Trustee to the County to such effect.

“First Supplemental Trust Agreement” means the First Supplemental Trust Agreement, dated as of October 1, 2024, between the County and the Trustee, setting forth the terms and provisions with respect to the Series 2024 Bonds, including any amendments or supplements thereto.

“Fiscal Year” means the period commencing on the first day of July of any year and ending on the last day of June of the following year.

“Fitch” means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the Trustee.

“Government Obligations” means direct obligations of, or obligations the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America in either certificated or book-entry form, including, but not limited to, (a) to the extent permitted by law, evidences of ownership of, or fractional undivided interests in, future interest and principal payments on such obligations and (b) to the extent permitted by law, obligations issued pursuant to Section 21B(d)(3) of the Federal Home Loan Bank Act, as amended by Section 511(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, and commonly known as “interest strips” of the Resolution Funding Corporation.

“Interest Account” means the account in the Bond Fund created and so designated by the Trust Agreement.

“Interest Payment Date” means, with respect to any Series of Bonds, each of the interest payment dates provided for in the Supplemental Trust Agreement relating to such Series. “Interest Payment Date” means, with respect to the Series 2024 Bonds, April 1 and October 1, commencing April 1, 2025.

“Investment Obligations” means any investments which at the time of investment are authorized by Section 159-30 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, except as may otherwise be modified in a Supplemental Trust Agreement.

“Local Government Commission” means the Local Government Commission, a division of the Department of the State Treasurer of the State.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “Moody’s” will be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the Trustee.

“Mortgaged Property” means (a) the property subject to the lien created by the Deed of Trust, and all improvements and fixtures located and to be located thereon, consisting of the site of the New School Project and all improvements thereon, and (b) additional real property, improvements and fixtures added to the Deed of Trust in connection with the financing of any Additional Project.

“Net Proceeds” means any proceeds of insurance or taking by eminent domain or condemnation paid with respect to the Mortgaged Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“New School Project” means the construction and equipping of a new school in the Rowan-Salisbury School System for grades 3-8, to be constructed at 1625 Park Road West in Salisbury, North Carolina.

“Officer’s Certificate” means a certificate signed by an Authorized Officer.

“Outstanding” when used with reference to Bonds means, as of a particular date, all Bonds theretofore authenticated and delivered under the Trust Agreement, except:

- (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (b) Bonds deemed to be no longer Outstanding pursuant to the Trust Agreement;
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Trust Agreement;
- (d) Bonds deemed to have been paid in accordance with the Trust Agreement as described in “SUMMARY OF THE TRUST AGREEMENT — Defeasance” below; and
- (e) Bonds deemed to have been purchased in accordance with the provisions of the applicable Supplemental Trust Agreement in lieu of which other Bonds have been delivered under such Supplemental Trust Agreement.

“Owner” means a Person in whose name a Bond is registered in the registration books provided for in the Trust Agreement.

“Permitted Encumbrances” means and includes (a) liens for taxes, assessments and other governmental charges due but not yet payable; (b) landlord’s, warehouseman’s, carrier’s, worker’s, vendor’s, mechanic’s and materialmen’s liens and similar liens incurred in the ordinary course of business remaining undischarged for not longer than sixty (60) days from the filing thereof; (c) attachments remaining undischarged for not longer than sixty (60) days from the making thereof; (d) liens in respect of pledges or deposits under workers’ compensation laws, unemployment insurance or similar legislation and in respect of pledges or deposits to secure bids, tenders, contracts (other than contracts for the payment of money), leases or statutory obligations, or in connection with surety, appeal and similar bonds incidental to the conduct of litigation; (e) the liens created by the Deed of Trust and any lease of all or any portion of the Mortgaged Property permitted by the Trust Agreement; (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date the property subject to such encumbrance becomes Mortgaged Property and that the County certifies to the Trustee in writing will not materially impair the use of such Mortgaged Property for its intended purpose; (g) the Trust Agreement or any Supplemental Trust Agreement; and (h) any other encumbrances described in a policy of title insurance required by the Trust Agreement.

“Person” includes corporations, firms, associations, partnerships, joint ventures, joint stock companies, trusts, unincorporated organizations, and public bodies, as well as natural persons.

“Principal Account” means the account in the Bond Fund created and so designated by the Trust Agreement.

“Project” means the land, buildings, facilities, and other improvements identified in the Trust Agreement which are to be financed in whole or in part by the County from proceeds of Bonds issued under the Trust Agreement.

“Project Costs” means, with respect to any item or portion of the Project or any Additional Project, the contract price paid or to be paid therefor upon construction, acquisition, remodeling, improvement or equipping thereof, in accordance with a purchase order or contract therefor. Project Costs include payment or the reimbursement of the County for the payment of the administrative, engineering, legal, financial and other costs incurred by the County in connection with the construction, acquisition, remodeling, improvement or equipping of the Project or any Additional Project, all costs incurred for the payment of interest on a Series of Bonds during the period of acquisition, construction or equipping of the Project or any Additional Project, and include all applicable sales taxes and other charges resulting from such construction, acquisition, remodeling, improvement or equipping of the Project or any Additional Project.

“Rating Agency” means Fitch, Moody’s or S&P, to the extent that such entity is then maintaining a rating on any of the Bonds.

“Redemption Account” means the account in the Bond Fund created and so designated by the Trust Agreement.

“Redemption Price” means, with respect to Bonds, the principal amount of such Bonds called for redemption plus the applicable premium, if any, payable upon redemption thereof.

“Regular Record Date” means (i) with respect to any Series of Bonds, the regular record date, if any, provided for in the Supplemental Trust Agreement relating to such Series, and (ii) with respect to the Series 2024 Bonds, the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, and its successors and assigns, and if such entity will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the Trustee.

“Securities Depository” means the Depository Trust Company, or any other recognized securities depository selected by the County, which maintains a book-entry system in respect of a Series of Bonds, and will include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there will be registered on the registration books maintained by the Trustee the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

“Serial Bonds” means the Bonds of any Series that are stated to mature in consecutive annual installments.

“Series”, whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series.

“Series 2024 Bonds” means the County of Rowan, North Carolina Limited Obligation Bonds, Series 2024, issued pursuant to the Trust Agreement and the First Supplemental Trust Agreement.

“Series 2024 Construction Fund” means the County of Rowan, North Carolina Limited Obligation Bonds 2023 Construction Fund created and so designated by the First Supplemental Trust Agreement.

“Series 2024 Cost of Issuance Account” means the account by that name within the Series 2024 Construction Fund created and so designated by the First Supplemental Trust Agreement.

“Series 2024 Subaccount of the Interest Account” means the subaccount of the Interest Account created and so designated by the First Supplemental Trust Agreement.

“Series 2024 Subaccount of the Principal Account” means the subaccount of the Principal Account created and so designated by the First Supplemental Trust Agreement.

“Series 2024 Subaccount of the Redemption Account” means the subaccount of the Redemption Account created and so designated by the First Supplemental Trust Agreement.

“Series 2024 Subaccount of the Sinking Fund Account” means the subaccount of the Sinking Fund Account created and so designated by the First Supplemental Trust Agreement.

“Sinking Fund Account” means the account in the Bond Fund created and so designated by the provisions of the Trust Agreement.

“Special Record Date” means a date fixed by the Trustee for determining the Owner of Bonds for the payment of Defaulted Interest pursuant to the Trust Agreement.

“State” means the State of North Carolina.

“Supplemental Trust Agreement” means any supplemental Trust Agreement executed and delivered by the County authorizing the issuance of any particular Series of Bonds that is required to be executed and delivered by the Trust Agreement prior to the issuance of any such Series.

“Term Bonds” means the Bonds of any Series, other than Serial Bonds, that are designated as such in the Supplemental Trust Agreement for such Series.

“Trust Agreement” means, collectively, the Trust Agreement, dated as of October 1, 2024, between the County and the Trustee, and any supplements and amendments thereto permitted thereby.

“Trustee” means the Trustee serving as such under the Trust Agreement, whether original or successor.

SUMMARY OF THE TRUST AGREEMENT

Details of Bonds

Each Bond will bear interest from the Interest Payment Date next preceding the date on which it is authenticated unless it is (a) authenticated upon an Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) authenticated prior to the first Interest Payment Date, in which

event it will bear interest from its date or such later date as is specified in the Supplemental Trust Agreement providing for its issuance; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond will bear interest from the date to which interest has been paid.

Unless provided to the contrary in a Supplemental Trust Agreement, and as permitted by law, the principal of and the interest and premium, if any, on the Bonds will be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The payment of interest on each Bond will be made (a) by the Trustee on each Interest Payment Date to the person appearing on the registration books of the Trustee as the registered owner thereof as of the Regular Record Date by check mailed to the registered owner at his address as it appears on such registration books, or (b) by such additional or alternative means as is provided in any Supplemental Trust Agreement providing for the issuance of such Bond. Payment of the principal of all Bonds will be made upon the presentation and surrender of such Bonds at the designated corporate trust office of the Trustee as the same become due and payable (whether at maturity or by redemption, acceleration or otherwise).

Any Defaulted Interest will forthwith cease to be payable to the Owner on the relevant Regular Record Date solely by virtue of such Owner having been such Owner; and such Defaulted Interest may be paid by the County, at its election in each case, as described in subsection A or B below:

A. The County may elect to make payment of any Defaulted Interest on the Bonds of any Series to the persons in whose names such Bonds (or their respective predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which will be fixed in the following manner. The County will notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date will be such as will enable the Trustee to comply with the next sentence hereof), and at the same time, the County will deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or will make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as described in this paragraph. Thereupon, the Trustee will fix a Special Record Date for the payment of such Defaulted Interest which will be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than ten (10) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee will promptly notify the County of such Special Record Date and, in the name and at the expense of the County, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Owner at his address as it appears in the registration books maintained under the Trust Agreement not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest will be paid to the persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date and will no longer be payable pursuant to the Trust Agreement as described in paragraph B below.

B. The County may make payment of any Defaulted Interest on the Bonds of any Series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if, after notice given by the County to the Trustee of the proposed payment pursuant to the Trust Agreement, such payment will be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Trust Agreement upon transfer of or in exchange for or in lieu of any other Bond will carry all the rights to interest accrued and unpaid,

and to accrue, which were carried by such other Bond and each such Bond will bear interest from such date, that neither gain nor loss in interest will result from such transfer, exchange or substitution.

Exchange of Bonds

Bonds, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as will be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Trust Agreement pursuant to which such Bonds were issued, bearing interest at the same rate and in the same form as the Bonds surrendered for exchange.

The County will make provision for the exchange of Bonds at the designated corporate trust office of the Trustee.

Transfer and Registration of Transfer of Bonds

Unless provided to the contrary in a Supplemental Trust Agreement, and as permitted by law, the Trustee will keep books for the registration and the registration of transfer of the Bonds. The registration books will be available at all reasonable times for inspection by the County and any Owner of such Bonds and may be copied by either of the foregoing and their agents or representatives.

The transfer of any Bond may be registered only upon the books kept for the registration and registration of transfer of Bonds upon presentation thereof to the Trustee together with an assignment duly executed by the Owner or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, in such form as will be satisfactory to the Trustee. No transfer of any Bond will alter the ownership of such Bond for purposes of the Trust Agreement unless such transfer is registered with the Trustee. Upon any such registration of transfer, the County will, if necessary, execute and the Trustee will authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Supplemental Trust Agreement pursuant to which such Bond was issued, in the aggregate principal amount equal to the principal amount of such Bond surrendered or exchanged, of the same maturity and bearing interest at the same rate. Prior to any transfer of the Bonds outside of a book-entry system (including, but not limited to, the initial transfer outside of a book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and will have no responsibility to verify or ensure the accuracy of such information.

In all cases in which Bonds will be exchanged or the transfer of Bonds will be registered under the Trust Agreement, the County will, if necessary, execute and the Trustee will authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of the Trust Agreement. All Bonds surrendered in any such exchange or registration of transfer will forthwith be canceled by the Trustee. No service charge will be made for any registration, transfer or exchange of Bonds, but the County and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Unless otherwise required by the applicable Supplemental Trust Agreement, neither the County nor the Trustee will be required (a) to issue, transfer or exchange Bonds during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (b) to transfer or exchange any Bond so selected for redemption in whole or in part.

Terms and Conditions for Issuance of Bonds

Before any Bonds will be issued, the County will execute and deliver a Supplemental Trust Agreement authorizing the issuance of such Bonds, fixing the amount and the details thereof as provided in the Trust Agreement and describing in brief and general terms the purpose for issuing such Bonds. Bonds may be issued for the purpose of providing funds, with any other available funds, for paying: (a) the cost of completion or improvement of the Project, (b) to the extent permitted by law, the cost of acquisition or construction of any Additional Project, and (c) the cost (including financing costs) of refunding any Bonds or, to the extent permitted by law, refinancing or refunding any Bonds or other indebtedness used to finance the Project or any Additional Project. Except to the extent described in the Trust Agreement, all such Bonds will be on a parity with each other and will be entitled to the same benefit and security of the Trust Agreement.

The Trust Agreement does not provide for any financial test to be met in order for additional Bonds to be issued thereunder. The Deed of Trust provides that the maximum principal amount of the obligations which may be secured thereby at any one time is \$134,790,000.

The proceeds (including accrued interest, if any) of the Bonds will be applied simultaneously with the delivery of the Bonds as provided in the Supplemental Trust Agreement.

Bonds Constitute Installment Contracts

Bonds issued under and pursuant to the terms of the Trust Agreement, together with corresponding obligations under the Trust Agreement, any Supplemental Trust Agreement and the Deed of Trust relating thereto, will constitute installment contracts within the meaning of the Act, entered into by the County for the purpose of financing the acquisition of real or personal property or the construction or repair of improvements thereon. The payment by the County of the Bonds constituting such installment contracts will be secured on a parity by the lien on the Mortgaged Property created under the Deed of Trust and by the other security provided for under the Trust Agreement to the extent provided therein.

Construction Fund

The First Supplemental Trust Agreement creates the Series 2024 Construction Fund. The Trustee will keep such fund separate and apart from all other funds and moneys held by it and will administer such fund and apply such moneys as provided in the Trust Agreement and the First Supplemental Trust Agreement. The First Supplemental Trust Agreement establishes the Series 2024 Cost of Issuance Account within the Series 2024 Construction Fund.

The County has granted to the Trustee for the benefit of the Owners of the Series 2024 Bonds a lien on and a security interest in all monies and securities in the Series 2024 Construction Fund and the Series 2024 Cost of Issuance Account therein.. The money in the Series 2024 Construction Fund will be held by the Trustee in trust and, pending application to the payment of the Project Costs and/or Costs of Issuance will, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the Series 2024 Bonds.

Establishment of Bond Fund

There is established under the Trust Agreement with the Trustee the “County of Rowan, North Carolina Limited Obligation Bonds Bond Fund,” in which there are established the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account. The Bond Fund and the accounts and subaccounts therein will be established with and held by the Trustee.

Each Supplemental Trust Agreement will provide, to the extent applicable, for the creation of a separate subaccount within the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account with respect to each Series of Bonds, which subaccounts will bear the designation of such Series of Bonds.

The County has granted to the Trustee for the benefit of the Owners of Bonds a lien on and security interest in all monies and securities in the Bond Fund. The money in the Bond Fund and its accounts and subaccounts will be held in trust and applied as provided in the Trust Agreement and, pending such application, will be subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Trust Agreement and for the further security of such Owners, except as otherwise provided in the Trust Agreement or in any Supplemental Trust Agreement.

A Supplemental Trust Agreement may provide for the creation of such other funds and accounts, as the County may determine, for the Series of Bonds authorized by such Supplemental Trust Agreement.

Payment of Debt Service

Subject to the limitations described in the Trust Agreement, the County will make the following payments to the Trustee in the following manner and order:

(a) At such time or times as provided in the Supplemental Trust Agreements, the County will deliver to the Trustee the amounts required by the Supplemental Trust Agreements for deposit in the appropriate subaccounts of the Interest Account, provided that if there will not be sufficient money to satisfy all such deposits, such deposits will be made to each such subaccount of the Interest Account ratably according to the amount so required to be deposited or paid.

(b) At such time or times as provided in the Supplemental Trust Agreements, the County will deliver to the Trustee the amounts required by the Supplemental Trust Agreements for deposit in the appropriate subaccounts of the Principal Account and the Sinking Fund Account, provided that if there will not be sufficient money to satisfy all such deposits, such deposits will be made to each such subaccount of the Principal Account and the Sinking Fund Account ratably according to the amount so required to be deposited or paid.

On or before the 45th day next preceding any date on which Serial Bonds are to mature or Term Bonds are subject to a mandatory sinking fund redemption or are to mature, the County may satisfy all or a portion of its obligation to make the payments required by paragraphs (a) and (b) above by delivering to the Trustee Serial Bonds maturing or Term Bonds maturing or required to be redeemed on such date. The price paid to purchase any such Bond, including accrued interest to the date of purchase, will not exceed the principal or Redemption Price plus accrued interest to the date of purchase. Upon such delivery, the County will receive a credit against amounts required to be deposited into the Interest Account and the Principal Account or the Sinking Fund Account, as the case may be, on account of such Bonds with respect to all interest payments for the remainder of the Fiscal Year and in the amount of 100% of the principal amount of any such Serial Bonds or Term Bonds so delivered.

Application of Money in Interest Account

Not later than 10:00 A.M. on each Interest Payment Date, the date for the payment of Defaulted Interest or any date upon which Bonds are to be redeemed, or on such other date as may be specified in the applicable Supplemental Trust Agreement, the Trustee will withdraw from the applicable subaccount in the Interest Account, including the Series 2024 Subaccount of the Interest Account, and remit or otherwise set aside the amount due and payable to the Owners as provided in the Supplemental Trust Agreements.

If there will be deposited in the applicable subaccount of the Interest Account proceeds of a Series of Bonds that are to be used to finance interest payments with respect to such Bonds as provided in a Supplemental Trust Agreement, on the date of issuance of any such Series of Bonds, an Authorized Officer will deliver to the Trustee a schedule of payments to be made on Interest Payment Dates from the applicable subaccount of the Interest Account for the payment of financed interest.

Unless otherwise provided by a Supplemental Trust Agreement, if the County fails to deposit with the Trustee the amounts required to be deposited in the Interest Account as provided in the Trust Agreement, or if the balance in the Interest Account on the Business Day next preceding an Interest Payment Date is insufficient to pay interest becoming due on the Bonds on such Interest Payment Date, the Trustee will notify the County of the amount of the deficiency and request the County to immediately cure such deficiency.

Application of Money in Principal Account

Not later than 10:00 A.M. on each principal payment date, the Trustee will withdraw from the applicable subaccount in the Principal Account, including the Series 2024 Principal Account, and remit or otherwise set aside the amount due and payable to the Owners as provided in the Supplemental Trust Agreements.

If on any date there is money in the Principal Account and no Serial Bonds are then Outstanding or if on any principal payment date money remains therein after the payment of the principal of Serial Bonds then due, the Trustee will withdraw such money therefrom and will apply the same in the following order: (a) deposit into the Sinking Fund Account the amount then required to be paid thereto by the County pursuant to the Trust Agreement and (b) deliver all remaining amounts to the County.

Unless otherwise provided in a Supplemental Trust Agreement, if the County fails to deposit with the Trustee the amounts required to be deposited in the Principal Account as provided in the Trust Agreement, or if the balance in the Principal Account on the Business Day next preceding a principal payment date is insufficient to pay principal coming due on the Serial Bonds on such principal payment date, the Trustee will notify the County of the amount of the deficiency and request the County to immediately cure such deficiency.

Application of Money in Sinking Fund Account

Money held for the credit of the subaccounts in the Sinking Fund Account, including the Series 2024 Sinking Fund Account, will be applied to the retirement, purchase, redemption or payment of Term Bonds in the manner provided in the applicable Supplemental Trust Agreement. Unless otherwise provided in a Supplemental Trust Agreement, if the County fails to deposit with the Trustee the amount required to be deposited in the Sinking Fund Account as provided in the Trust Agreement, or if the balance in the Sinking Fund Account on the Business Day next preceding a sinking fund payment date is insufficient to retire Term Bonds on such date as required by a Supplemental Trust Agreement, the Trustee will notify the County of the amount of the deficiency and request the County to immediately cure such deficiency.

Application of Money in the Redemption Account

The Trustee will apply money in the subaccounts of the Redemption Account, including the Series 2024 Redemption Account, to the purchase or redemption of Bonds as follows:

(a) Subject to the provisions described in paragraph (c) below, and if instructed to do so in writing by an Authorized Officer, the Trustee will endeavor to purchase and cancel Bonds of the applicable

Series or portions thereof, whether or not such Bonds or portions thereof are then subject to redemption, at the written direction of an Authorized Officer, provided that the purchase price of each Bond, plus accrued interest to the date of purchase, will not exceed the Redemption Price that would be payable on the next redemption date to the Owners of such Bonds under the provisions of the applicable Supplemental Trust Agreement plus accrued interest to the redemption date if such Bond or such portion thereof were called for redemption on such redemption date from the money in the applicable subaccount of the Redemption Account. The Trustee will pay the interest accrued on such Bonds or portions thereof to the date of settlement from the applicable subaccount of the Interest Account and the purchase price from the applicable subaccount of the Redemption Account, but no such purchase will be made by the Trustee from money in the applicable subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Bonds or portions thereof are to be redeemed except from moneys other than the moneys set aside in the applicable subaccount of the Redemption Account for the redemption of Bonds.

(b) Subject to the provisions described in paragraph (c) below, the Trustee will call for redemption on a date permitted by the applicable Supplemental Trust Agreement such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust the moneys then held in the applicable subaccount of the Redemption Account as nearly as may be; provided, however, that not less than Fifty Thousand Dollars (\$50,000) principal amount of Bonds will be called for redemption at any one time unless the Trustee is so instructed by the County. The Trustee will pay the accrued interest on the Bonds or portions thereof to be redeemed to the date of redemption from the applicable subaccount of the Interest Account and the Redemption Price of such Bonds or portions thereof from the applicable subaccount of the Redemption Account. On or before the redemption date, the Trustee will withdraw from the applicable subaccount of the Redemption Account and the applicable subaccount of the Interest Account and the respective amounts required to pay the Redemption Price and accrued interest to the redemption date of the Bonds or portions thereof so called for redemption.

(c) Money in the Redemption Account may be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Bonds of any one or more Series then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee (i) designating one or more Series of Bonds to be purchased or redeemed, (ii) if more than one Series of Bonds is so designated, setting forth the aggregate principal amount of Bonds of each Series to be purchased or redeemed, and (iii) unless the Supplemental Trust Agreement relating to the Bonds to be redeemed specifies the order of redemption, designating the Bonds to be redeemed within each Series, and if such Bonds are Term Bonds, the years in which future mandatory sinking fund redemptions are to be reduced as a result of such redemption and the amount of such reduction in each such year. In the event no such certificate is filed and unless the Supplemental Trust Agreement relating to the Bonds to be redeemed specifies otherwise, (A) the Trustee will apply such money to the purchase of one or more Series of Bonds as it will determine or to the redemption of Bonds bearing the highest rate of interest, (B) if Bonds of more than one maturity bear the same interest rate, the Trustee will redeem such Bonds in the inverse order of maturities, and (C) if the Bonds bearing the highest rate of interest are Term Bonds, the Trustee will reduce mandatory sinking fund redemptions for such Term Bonds in inverse order of the scheduled redemption of such Term Bonds. All Bonds will be redeemed as provided in the applicable Supplemental Trust Agreement.

Money held for the credit of the subaccounts in the Redemption Account will be applied to the purchase or redemption of Bonds in the manner provided in the applicable Supplemental Trust Agreement.

Net Proceeds Fund

(a) There is established with the Trustee a special fund designated the "County of Rowan, North Carolina Limited Obligation Bonds Net Proceeds Fund" to be maintained and held in trust for the

benefit of the Owners as provided in the Trust Agreement. The Trustee will deposit Net Proceeds relating to casualty and theft and title insurance in the Net Proceeds Fund promptly upon receipt thereof. The County will transfer to the Trustee for deposit in the Net Proceeds Fund any other Net Proceeds received by the County in the event of any damage, destruction, theft or taking by eminent domain or condemnation with respect to the Mortgaged Property.

(b) The County has granted to the Trustee for the benefit of the Owners of Bonds a lien on and a security interest in all monies and securities in the Net Proceeds Fund. The money in the Net Proceeds Fund will be held in trust and applied as provided in the Trust Agreement and, pending such application, will be subject to a pledge, charge and lien in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Trust Agreement and for the further security of such Owners, except as otherwise provided in the Trust Agreement or in any Supplemental Trust Agreement.

(c) The Trustee will either disburse Net Proceeds for replacement or repair of the Mortgaged Property as provided in paragraphs (d)(1) and (d)(3) below, or transfer such proceeds to the Redemption Account or Principal Account upon notification of an Authorized Officer as described in paragraphs (d)(2) or (d)(4) below. Any balance of Net Proceeds remaining after receipt by the Trustee of a certificate of an Authorized Officer stating that any such replacement or repair has been completed will be placed into the Bond Fund and applied to the next payment of principal and interest on the Bonds. Any funds remaining in the Net Proceeds Fund after the redemption or other payment of all Bonds Outstanding, including accrued interest and payment of any applicable fees to the Trustee pursuant to the Trust Agreement or provision made therefor satisfactory to the Trustee, will be withdrawn by the Trustee and remitted to the County.

(d) (1) Upon receipt of a certification from an Authorized Officer that the Net Proceeds available for such purpose, together with any other funds to be provided by the County in its discretion for such purpose, are sufficient to repair or replace the Mortgaged Property to a condition substantially similar to its condition prior to the loss, casualty or other event giving rise to receipt of such Net Proceeds, the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as authorized by the Trust Agreement and described in paragraph (b) above. The Authorized Officer must state in the requisition with respect to each payment to be made (A) the requisition number, (B) the name and address of the person, firm or corporation to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation.

Any balance of Net Proceeds remaining after such replacement or repair has been completed will be transferred to the Bond Fund and applied to make payments of principal and interest on the Bonds as the same become due. After payment or provision for payment of all Bonds Outstanding as provided in this section, any balance of Net Proceeds will be paid to the County.

(2) If an Authorized Officer notifies the Trustee in writing that (A) the certification required by the Trust Agreement and described in paragraph (d)(1) above cannot be made or (B) replacement or repair of the Mortgaged Property is not economically feasible or in the best interest of the County, then the Trustee, upon the written direction of the County, will promptly transfer the Net Proceeds to the Redemption Account as provided in the Trust Agreement and apply such Net Proceeds, together with any other available moneys provided by County to the Trustee for deposit to the Redemption Account (subject to the limitation set forth below), to the redemption in whole of all of the Outstanding Bonds as provided in the Trust Agreement and the applicable Supplemental Trust Agreements; provided, however, that if all the Bonds are not subject to optional redemption at that time, then the amount deposited will be such amount that, when invested in

Defeasance Obligations, will be sufficient, together with investment earnings thereon, to pay all interest on the Bonds until their respective optional redemption dates and to pay the principal of and premium on such Bonds on the optional redemption date, and provided further that if there are no Bonds subject to optional redemption, the amount will be deposited to the credit of the Principal Account and applied as provided in the Trust Agreement.

(3) If there are sufficient Net Proceeds to comply with the provisions of the Trust Agreement and described in paragraphs (d)(1) or (d)(2) above, the County must comply with either of such provisions. However, if the certification required by the Trust Agreement and described in paragraph (d)(1) cannot be made and if the Net Proceeds and other available funds are insufficient to retire all of the Bonds in whole as described in paragraph (d)(2), the Trustee will apply the Net Proceeds and any other funds made available by the County in the County's discretion to the replacement and repair of the Mortgaged Property with such changes as may be necessary to cause the replacement and repair to be made from the funds available therefor; provided, however, that no change may be made that would result in a use of the Mortgaged Property different from that which existed prior to the event giving rise to the receipt of Net Proceeds. If Net Proceeds are applied for such purpose, moneys will be disbursed from the Net Proceeds Fund in the manner described in paragraph (d)(1).

(4) If the County and the Trustee are unable to comply with the provisions described in paragraphs (d)(1), (d)(2) or (d)(3), the County will direct the Trustee in writing to transfer any other Net Proceeds to the Redemption Account to be used to redeem in part the Bonds Outstanding pursuant to the redemption provisions of any Supplemental Trust Agreement; provided that if there are no Bonds subject to optional redemption, the amount will be deposited to the credit of the Principal Account and applied as provided in the Trust Agreement.

The Trustee will cooperate fully with the County, at the expense of the County, in filing any proof of loss with respect to any insurance policy maintained pursuant to the Trust Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Mortgaged Property or any item or portion thereof.

Insurance

Comprehensive General Liability. (a) The County will maintain or caused to be maintained throughout the term of the Trust Agreement a comprehensive general liability policy or policies in protection of the County, its officers, agents and employees. Such policy will cover such losses and for such amounts and will have such deductible amounts as will be satisfactory to the Board of Commissioners and, in the judgment of the Board of Commissioners, will protect the County against losses not protected under the principles of sovereign immunity.

(b) The net proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Workers' Compensation. The County will maintain workers' compensation insurance to insure its employees against liability for compensation under the laws now in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof. The proceeds of such workers' compensation insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Casualty and Theft Insurance. (a) The County will procure and maintain, throughout the term of the Trust Agreement insurance against loss or damage to any portion of the Mortgaged Property by fire and

lightning, with extended coverage, and vandalism and malicious mischief insurance. Such extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance policies will name the Trustee as an additional insured. To the extent that any contractor will provide an insurance policy or certificate of insurance (naming the Trustee as an additional insured) demonstrating that the same coverage as is required by the Trust Agreement is being carried by such contractor with respect to the Mortgaged Property or any part thereof and adequately protects the interest of the County and the Trustee, the insurance provided for by the Trust Agreement will not be required with respect to the Mortgaged Property or such part thereof while the Mortgaged Property or such part thereof is so covered by such other insurance.

(b) Such insurance will be in an amount equal to 100% of the replacement cost of the Mortgaged Property (except that such insurance may be subject to a reasonable and customary deductible clause for any one loss).

(c) The Net Proceeds of such insurance will be deposited in the Net Proceeds Fund and applied as provided in the Trust Agreement as described in "SUMMARY OF THE TRUST AGREEMENT — Net Proceeds Fund" above.

Title Insurance. The County will obtain at the time of execution of the Trust Agreement, and cause to be maintained, a mortgagee's title insurance policy on the tracts of real property upon which the Mortgaged Property is located, insuring the County's fee simple interest or other interest in such property, subject only to Permitted Encumbrances, in an amount at least equal to \$33,697,500 as required by the Trust Agreement, naming the Trustee as the named insured. The Net Proceeds of such insurance will be deposited in the Net Proceeds Fund and applied as provided in the Trust Agreement.

General Insurance Provisions. (a) The County will pay when due the premiums for all insurance policies required by the Trust Agreement.

(b) Except as otherwise described in paragraph (d) below, all insurance policies required by the Trust Agreement will be issued by a responsible carrier authorized to do business under the laws of the State.

(c) The Trustee will not be responsible for the sufficiency or adequacy of any insurance required by the Trust Agreement and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(d) In lieu of obtaining the policies of insurance required by the Trust Agreement (except for title insurance), the County may adopt alternative risk management programs which it determines to be reasonable, including, without limitation, to self-insure in whole or in part, individually or in connection with other units of local government or other institutions, to participate in programs of captive insurance companies, to participate with other units of local government or other institutions in mutual or other cooperative insurance or other risk management programs, to participate in State or federal insurance programs, to take advantage of State or federal laws now or hereafter in existence limiting liability, or to establish or participate in other alternative risk management programs, all as may be reasonable and appropriate risk management by the County and that provide comparable coverages required by such sections. In addition, any insurance coverage pursuant to the Trust Agreement (other than title insurance) may be pursuant to a program whereby the County self-insures against certain losses up to a stated loss amount, and retains excess coverage from an insurer meeting the requirements of the Trust Agreement.

(e) The insurance coverage required under the Trust Agreement relating to casualty and theft insurance may be maintained under a blanket policy covering other properties of the County.

(f) The County will cause to be delivered to the Trustee annually on or about July 1 of each year a certificate stating that the insurance policies or alternative risk management programs required or permitted by the Trust Agreement are in full force and effect.

(g) The County will cooperate fully with the Trustee in filing any proof of loss with respect to any insurance policy maintained pursuant to the Trust Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Mortgaged Property or any portion thereof.

Security for Deposits

Any and all money deposited with the Trustee will be trust funds under the terms of the Trust Agreement, and, to the extent permitted by law in the case of the Construction Funds, will not be subject to any lien or attachment by any creditor of the County.

All money deposited with the Trustee under the Trust Agreement in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency will be continuously secured, for the benefit of the County and the Owners of Bonds, either (a) by lodging with a bank or trust company chosen by the Trustee or, if then permitted by law, by setting aside under control of the trust department of the bank or trust company holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it will not be necessary for the Trustee to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds, or for the Trustee to give security for any money that will be represented by Investment Obligations purchased under the provisions of the Trust Agreement as an investment of such money.

All money deposited with the Trustee will be credited to the particular fund, account or subaccount to which such money belongs.

Investment of Money

Money held for the credit of all funds, accounts and subaccounts will be continuously invested and reinvested by the Trustee in Investment Obligations or held as cash to the extent investment or reinvestment in Investment Obligations is not practicable. Except as provided in the Trust Agreement with respect to the disposition of investment income, the particular investments to be made and other related matters in respect of investments may, as to each Series of Bonds, be provided in the applicable Supplemental Trust Agreement.

Investment Obligations will mature or be redeemable at the option of the holder thereof not later than the respective dates when the money held for the credit of such funds, accounts and subaccounts will be required for the purposes intended.

Notwithstanding the forgoing, no Investment Obligations pertaining to any Series in any fund, account or subaccount will mature on a date beyond the latest maturity date of the respective Series of Bonds Outstanding at the time such Investment Obligations are deposited. For purposes of this paragraph, the maturity date of any repurchase agreement will be deemed to be the stated maturity date of such agreement and not the maturity dates of the underlying obligations.

An Authorized Officer or his designee will give to the Trustee written directions respecting the investment of any money required to be invested under the Trust Agreement, subject, however, to the provisions of the Trust Agreement, and the Trustee will then invest such money as so directed. The Trustee may request additional direction or authorization from the Authorized Officer or his designee in writing with respect to the proposed investment of money under the provisions of the Trust Agreement. Upon receipt of such directions, the Trustee will invest, subject to the provisions of the Trust Agreement, such money in accordance with such directions. The Trustee will have no liability for investments made in accordance with the Trust Agreement.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Trust Agreement will be deemed at all times to be part of such fund, account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations will be charged against such funds, accounts or subaccounts. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations will be credited to such funds, accounts or subaccounts.

Any such interest accruing and any such profit realized will be transferred upon the receipt thereof by the Trustee pursuant to the provisions of the Trust Agreement.

The Trustee will sell or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so to provide money to make any payment from any such fund, account or subaccount. The Trustee will not be liable or responsible for any loss resulting from any such action.

Whenever a transfer of money between two or more of the funds, accounts or subaccounts established under the Trust Agreement is permitted or required, such transfer may be made as a whole or in part by transfer of one or more Investment Obligations at a value determined at the time of such transfer in accordance with the Trust Agreement, provided that the Investment Obligations transferred are those in which money of the receiving fund, account or subaccount could be invested at the date of such transfer.

For purposes of making any investment under the Trust Agreement, the Trustee may consolidate money held by it in any fund, account or subaccount with money in any other fund, account or subaccount. Transfers from any fund, account or subaccount to the credit of any other fund, account or subaccount provided for in the Trust Agreement may be effectuated on the books and records of the Trustee and the County without any actual transfer of funds or liquidation of investments. Investment Obligations purchased with consolidated funds will be allocated to each fund, account or subaccount on a pro rata basis in accordance with the initial amount so invested from each such fund, account or subaccount.

The Trustee will conclusively rely upon the County's written instructions as to both the suitability and legality of all direct investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee will have no responsibility to monitor the ratings of investments after the initial purchase of such investments. In the absence of written investment instructions from the County, the Trustee will not be responsible or liable for keeping the moneys held by it under the Trust Agreement fully invested. Unless otherwise directed in writing by the County, the Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades.

Although the County recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the County agrees in the Trust Agreement that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered or made available by the Trustee.

Release of Mortgaged Property

At any time and from time to time, so long as no Event of Default has occurred and is continuing under the Trust Agreement or under the Deed of Trust, the Deed of Trust Trustee and the Trustee will be required to release a portion of the Mortgaged Property from the lien and security interest created by the Deed of Trust when and if the following requirements have been met:

(a) there is filed with the Deed of Trust Trustee and the Trustee, as beneficiary under the Deed of Trust, a certified copy of a resolution of the Board of Commissioners stating that the County desires the release of such portion of the Mortgaged Property, giving an adequate legal description of the portion of the Mortgaged Property to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release;

(b) either (i) the value of the Mortgaged Property remaining after the proposed release as such value is evidenced by or derived from (A) an appraisal of the remaining Mortgaged Property prepared by a certified MAI-approved appraiser, (B) the insured value of the remaining Mortgaged Property or (C) the property tax valuation of the remaining Mortgaged Property), is not less than 50% of the aggregate principal amount of Bonds then Outstanding or (ii) the County (A) provides for substitution of other property (the "Substitute Property") that will be made subject to the lien of the Deed of Trust that has a value such that the combined value of the remaining Mortgaged Property and the Substitute Property (as such value is evidenced by or derived from (1) an appraisal of the remaining Mortgaged Property and the Substitute Property prepared by a certified MAI-approved appraiser, (2) the insured value of the remaining Mortgaged Property and the Substitute Property or (3) the property tax valuation of the remaining Mortgaged Property and the Substitute Property) is not less than the value of the Mortgaged Property immediately before the proposed substitution or is not less than 50% of the aggregate principal amount of Bonds then Outstanding, (B) delivers to the Deed of Trust Trustee and the Trustee an opinion of Bond Counsel to the County to the effect that the substitution of such property is permitted by law (including the Act) and is permitted under the terms of the Trust Agreement and the Deed of Trust, and, for any Bonds with respect to which interest is intended to be excludable from the gross income of the owners thereof for federal or state income tax purposes, that such release and substitution will not adversely affect the exclusion of interest on such Bonds from the gross income of the owners thereof for federal or state income tax purposes, and (C) records a release, amendment or modification to the Deed of Trust or such other instruments necessary to reflect such release and substitution of the Mortgaged Property at the place and in the manner required by the laws of the State; and

(c) such release will not prohibit the County's ingress, egress and regress to and from the remainder of the Mortgaged Property not being released, or materially interfere with the use of the remainder of the Mortgaged Property not being released, as evidenced by a certificate of an Authorized Officer filed with the Deed of Trust Trustee and the Trustee.

The County will provide notice to each Rating Agency of the release or substitution of any of the Mortgaged Property pursuant to the Trust Agreement.

Events of Default

Each of the following events is an Event of Default under the Trust Agreement:

- (a) payment of the principal of or the Redemption Price on any of the Bonds is not made when the same is due and payable, either at maturity or by redemption or otherwise;
- (b) payment of the interest on any of the Bonds is not made when the same is due and payable;
- (c) the occurrence of an Event of Nonappropriation;
- (d) the occurrence of an event of default as provided in the Deed of Trust;
- (e) the occurrence of any event specified in a Supplemental Trust Agreement as being an “Event of Default” under the Trust Agreement; or
- (f) receipt of written notice from any counterparty under a Derivative Agreement that the County will have failed to make any Derivative Agreement Scheduled Payment within ten (10) days of the same becoming due and payable.

Acceleration

Upon the happening and continuance of any Event of Default, then and in every case the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding will, by a notice in writing to the County, declare the principal of all the Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same will become and be immediately due and payable, anything contained in the Bonds or the Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds will have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement or the Deed of Trust, moneys will have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all the Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last interest payment date) and sufficient to satisfy the mandatory sinking fund requirement, if any, for any Term Bonds then Outstanding, for the then current Fiscal Year, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the County under the Trust Agreement or under the Deed of Trust will have been paid or a sum sufficient to pay the same will have been deposited with the Trustee, and every other Event of Default actually known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds, the Trust Agreement (other than a default in the payment of the principal of such Bonds then due and payable only because of a declaration) or the Deed of Trust will have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds not then due and payable by their terms and then Outstanding will, by written notice to the County, rescind and annul such declaration and its consequences, but no such rescission or annulment will extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Additional Remedies on Default

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding will, proceed (subject to the requirements of prior indemnification) to protect and enforce its rights and the rights of the Owners of the Bonds under applicable laws and under the Trust Agreement or the Deed of Trust by such suits, actions or special proceedings in equity or at law, or by

proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power granted in the Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, chosen by the Trustee, will deem most effectual to protect and enforce such rights.

Application of Funds

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement will, after payment of the costs and expenses of the Trustee and the Deed of Trust Trustee, and after satisfaction of all costs and expenses of the Trustee and the Deed of Trust Trustee, of the Owners in declaring such Event of Default, including, to the extent permitted by law, reasonable compensation to its or their agents, attorneys and counsel, be deposited to the credit of the Bond Fund. Anything in the Trust Agreement to the contrary notwithstanding, if at any time the money in the Bond Fund is not sufficient to pay the interest on or the principal of the Bonds as the same become due and payable (either by their terms or by acceleration of maturities), such money, together with any money then available or thereafter becoming available for such purposes (except for such money that has already been deposited in subaccounts of the Interest Account, the Principal Account or the Sinking Fund Account for a particular Series of Bonds), whether through the exercise of the remedies provided for in the Trust Agreement or otherwise, will be applied, as follows:

(a) if the principal of all Series of Bonds will not have become or will not have been declared due and payable, all such money will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest on Bonds then due and payable and all Derivative Agreement Scheduled Payments in the order in which such installments became due and payable and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any Bonds that will have become due and payable (other than Bonds deemed to have been paid pursuant to the provisions of the Trust Agreement), in the order of their due dates, with interest on the overdue principal at a rate equal to the rate on such Bonds, and, if the amount available will not be sufficient to pay in full all of the amounts due on the Bonds on any date, together with such interest, then to the payment ratably according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference;

third: to the payment of the interest on and the principal of Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of the Trust Agreement; and

fourth: to the payment of persons entitled thereto of all Additional Payments, including Derivative Agreement Additional Payments, then due, and if the amount available will not be sufficient to pay in full all such Additional Payments, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Series of Bonds will have become or will have been declared due and payable, all such money will be applied:

first: to the payment of principal and interest then due upon such Bonds and Derivative Agreement Scheduled Payments, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege; and

second: to the payment of persons entitled thereto of all Additional Payments, including Derivative Agreement Additional Payments, then due, and if the amount available will not be sufficient to pay in full all such Additional Payments, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference.

(c) If the principal of all of the Series of Bonds will have been declared due and payable and if such declaration will thereafter have been rescinded and annulled under the provisions of the Trust Agreement, then, subject to the provisions described in paragraph (b) above in the event that the principal of all of the Series of Bonds will later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Bond Fund will be applied in accordance with the provisions described in paragraph (a) above.

Control of Proceedings; Restrictions Upon Action; Notice of Default

Anything in the Trust Agreement to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of Bonds at any time Outstanding will have the right, subject to the prior indemnification of the Trustee, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement, provided that such direction will be in accordance with law and the provisions of the Trust Agreement.

Except as provided in the Trust Agreement, no Owner of Bonds will have any right to institute any suit, action or proceeding in equity or at law on any Bonds or for the execution of any trust under the Trust Agreement or for any other remedy thereunder unless such Owner of Bonds previously (a) has given to the Trustee written notice of the Event of Default on account of which suit, action or proceeding is to be instituted, (b) has requested the Trustee to take action after the right to exercise such powers or right of action, as the case may be, will have accrued, (c) has afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceedings in its or their name, and (d) has offered to the Trustee reasonable security and satisfactory indemnity against the costs, expenses and liabilities to be incurred therein or thereby (including attorney's fees, costs and expenses), and the Trustee will have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy under the Trust Agreement. Notwithstanding the foregoing and without complying therewith, the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Owners of Bonds. No one or more Owners of Bonds will have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right under the Trust Agreement except in the manner provided, that all proceedings at law or in equity will be instituted, had and maintained in the manner provided in the Trust Agreement and for the benefit of all Owners of Bonds and that any individual rights of action or other right given to one or more of such Owners by law are restricted by the Trust Agreement to the rights and remedies provided therein.

The Trustee will mail to the County, the Local Government Commission and to all Owners at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default within thirty (30) days after the Trustee has actual knowledge or notice that any such Event of Default will have occurred. The Trustee will not be subject to any liability to any Owner by reason of its failure to mail any such notice.

Concerning the Trustee

Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Trustee will perform such duties and only such duties of the Trustee as are specifically set forth in the Trust Agreement. Upon the occurrence and during the continuation of any Event of Default, the Trustee will 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.

No provision of the Trust Agreement will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(a) prior to any such Event of Default, and after the curing of any Event of Default that may have occurred:

(i) the duties and obligations of the Trustee will be determined solely by the express provisions of the Trust Agreement, and the Trustee will not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in the Trust Agreement, and no implied covenants or obligations will be read into the Trust Agreement against the Trustee and no permissive right of the Trustee under the Trust Agreement will impose any duty on the Trustee to take such action, and

(ii) in the absence of willful misconduct on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of the Trust Agreement; and

(b) at all times, regardless of whether or not any such Event of Default will exist:

(i) the Trustee will not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(ii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than 25% or a majority, as the Trust Agreement will require, in aggregate principal amount of the Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under the Trust Agreement.

(iii) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of the Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, the Trustee, in its sole discretion, may determine what action, if any, will be taken.

None of the provisions contained in the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

The Trustee will be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the appointment of a receiver or the acceleration of the maturity date of any or all Bonds under the Trust Agreement) or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts created by the Trust Agreement or in the enforcement of any rights and powers thereunder, until it will be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees, costs, expenses and other reasonable disbursements, and against all liability, including, but not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the County, at the request of the Trustee, will reimburse the trustee for all costs, expenses, outlays and counsel fees, costs, expenses and other reasonable disbursements properly incurred in connection therewith. If the County should fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Trust Agreement and will be entitled to a preference therefor over any Bonds Outstanding

The Trustee will be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the County, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts under the Trust Agreement, the Trustee will have no responsibility in respect of the validity or sufficiency of the Trust Agreement, or in respect of the validity of Bonds or the due execution or issuance thereof. The Trustee will be under no obligation to see that any duties imposed by the Trust Agreement upon the County or any party other than itself, or any covenants contained in the Trust Agreement on the part of any party other than itself to be performed, will be done or performed, and the Trustee will be under no obligation for failure to see that any such duties or covenants are so done or performed. The Trustee will not be answerable for other than its own negligence or willful misconduct.

In addition, the Trustee will have no duty or responsibility to examine or review, and will have no liability for, the contents of any documents submitted or delivered to any Owner in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document and the Trustee will have no responsibility for compliance with any state or federal securities laws in connection with the Bonds; the Trustee will not be responsible for and makes no representation as to the legality, effectiveness or sufficiency of any security document or for the creation, perfection, priority or protection of any lien securing the Bonds; the Trustee will not be liable for any debts contracted or for damages to persons or to property injured or damaged, or for salaries or nonfulfillment of contracts, relating to the acquisition, construction or equipping of the Project or an Additional Project; and the Trustee will have no duty to inspect or oversee the acquisition, construction or equipping of the Project or any Additional Project or, except as provided in the Trust Agreement to verify the truthfulness or accuracy of the certifications made by the County with respect to the Trustee's disbursements for Project Costs in accordance with the Trust Agreement.

The Trustee will not be required to take notice or be deemed to have notice of any default except for the defaults specified in (a) or (b) under "SUMMARY OF THE TRUST AGREEMENT — Events of Default" above unless the Trustee is specifically notified in writing of such default by the County or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

The Trustee will not be liable or responsible because of the failure of the County or of any of its employees or agents to make any collections or deposits or to perform any act in the Trust Agreement required of the County. The Trustee will not be responsible for the application of any of the proceeds of

Bonds or any other money deposited with it and invested, paid out, withdrawn or transferred under the Trust Agreement if such application, investment, payment, withdrawal or transfer will be made in accordance with the provisions of the Trust Agreement. The immunities and exemptions from liability of the Trustee under the Trust Agreement will extend to its directors, officers, employees and agents.

Subject to the acceptance and appointment by a successor Trustee, the Trustee may resign and thereby become discharged from the trusts created by the Trust Agreement, by notice in writing given to the County, and mailed, postage prepaid to each Owner of Bonds, not less than sixty (60) days before such resignation is to take effect, but such resignation will take effect immediately upon the appointment of a new Trustee if such new Trustee will be appointed before the time limited by such notice and will then accept the trusts under the Trust Agreement.

Supplements and Amendments Without Consent

The Trust Agreement and the Deed of Trust, and the rights and obligations of the parties thereto, may be amended or supplemented at any time by an amendment or supplement thereto without the consent of any Owners, provided that, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, such amendment or supplement will not materially adversely affect the interest of the Owners:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the Trust Agreement that may be inconsistent with any other provision therein, to make any other provisions with respect to matters or questions arising under the Trust Agreement or the Deed of Trust, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Trust Agreement or the Deed of Trust, or

(b) to grant or to confer upon the Trustee, for the benefit of the Owners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or

(c) to add to the provisions of the Trust Agreement or the Deed of Trust other conditions, limitations and restrictions thereafter to be observed, or

(d) to release property from the Deed of Trust as permitted by the terms of the Trust Agreement or the Deed of Trust, or to add additional collateral to the Deed of Trust in connection with the issuance of additional Bonds or otherwise; or

(e) to add to the covenants and agreements of the County in the Trust Agreement or the Deed of Trust other covenants and agreements thereafter to be observed by the County or to surrender any right or power in the Trust Agreement reserved to or conferred upon the County, or

(f) to permit the qualification of the Trust Agreement or the Deed of Trust under any federal statute now or hereafter in effect or under any state blue sky law, and, in connection therewith, if the County so determines, to add to the Trust Agreement, any Supplemental Trust Agreement or the Deed of Trust such other terms, conditions and provisions as may be permitted or required by such federal statute or blue sky law.

At least thirty (30) days prior to the execution and delivery of any such supplement or amendment for any of the purposes set forth above, the Trustee will cause a notice of the proposed supplement or amendment to be mailed, postage prepaid to all Owners of Bonds and to each Rating Agency. Such notice will briefly set forth the nature of the proposed supplement or amendment and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of Bonds. A

failure on the part of the Trustee to mail the notice required by the Trust Agreement will not affect the validity of such supplement or amendment.

Supplements and Amendments With Consent

The Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding that will be affected by a proposed supplement or amendment to the Trust Agreement or the Deed of Trust will have the right, from time to time, anything contained in the Trust Agreement or the Deed of Trust to the contrary notwithstanding, to consent to and approve the execution and delivery of such supplement or amendment as are deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in the Deed of Trust; provided, however, that nothing contained in the Trust Agreement will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bonds without the consent of the Owner of such Bond and the approval of the Local Government Commission, (b) a reduction in the principal amount of any Bonds or the redemption premium or the rate of interest on any Bonds without the consent of the Owner of such Bond, (c) a preference or priority of any Bonds over any other Bonds without the consent of the Owners of all Bonds then Outstanding or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplement or amendment without the consent of the Owners of all Bonds then Outstanding. Nothing contained in the Trust Agreement, however, will be construed as making necessary the approval by the Owners of Bonds of the execution and delivery of any supplement or amendment to the Trust Agreement as described in "SUMMARY OF THE TRUST AGREEMENT — Supplements and Amendments Without Consent" above.

If at any time the County and the Trustee determine that it is necessary or desirable to execute and deliver any supplement or amendment to the Trust Agreement or the Deed of Trust for any of the purposes of the preceding paragraph, the Trustee will cause a notice provided to it by the County of the proposed supplement or amendment to be mailed, postage prepaid, to all Owners at their addresses as they appear on the registration books as of the date of mailing such notice and to each Rating Agency. Such notice will briefly set forth the nature of the proposed supplement or amendment and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of Bonds. The Trustee will not, however, be subject to any liability to any Owner of Bonds by reason of its failure to cause the notice required by this paragraph to be mailed, and any such failure to cause the notice required by the Trust Agreement to be mailed will not affect the validity of such supplement or amendment when consented to and approved as provided in the preceding paragraph.

Whenever, at any time within three (3) years after the date of the mailing of such notice, the County delivers to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding that are affected by a proposed supplement or amendment, which instrument or instruments will refer to the proposed supplement or amendment described in such notice and will specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the County and the Trustee, as applicable may execute and deliver such supplement or amendment to the Trust Agreement or the Deed of Trust in substantially such form, without liability or responsibility to any Owner of Bonds whether or not such Owner will have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding at the time of the execution and delivery of such supplement or amendment and that are affected by a proposed supplement or amendment to the Trust Agreement or the Deed of Trust have consented to and approved the execution and delivery thereof as provided in the Trust Agreement, to the extent permitted by law, no Owner of Bonds will have any right to object to the execution and delivery of such supplement or

amendment, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution and delivery thereof, or to enjoin or restrain the County and the Trustee, as applicable, from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Defeasance

When:

(a) the Bonds issued under the Trust Agreement will have become due and payable in accordance with their terms or otherwise as provided in the Trust Agreement, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds will be paid, and

(b) if the Bonds will not have become due and payable in accordance with their terms, the Trustee will hold, sufficient (i) money or (ii) Defeasance Obligations or a combination of (i) and (ii) of this clause (b), the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and there will have been delivered to the Trustee an opinion of Bond Counsel that such deposit of money or Defeasance Obligations will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds, and

(c) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption will have been given by the County to the Trustee, and

(d) sufficient funds will also have been provided or provision made for paying all other obligations payable under the Trust Agreement by the County;

then and in that case the right, title and interest of the Trustee in the funds, accounts and subaccounts mentioned in the Trust Agreement will thereupon cease, determine and become void and, upon being furnished with an opinion, in form and substance satisfactory to the Trustee, of counsel approved by the Trustee, to the effect that all conditions precedent to the release of the Trust Agreement and the Deed of Trust have been satisfied, the Trustee will release the Trust Agreement and the Deed of Trust and will execute such documents to evidence such release as may be required by such counsel, and the Trustee will turn over to the County any surplus in, and all balances remaining in, all funds, accounts and subaccounts other than money held for the redemption or payment of Bonds. If the Bonds to be paid by the moneys or Defeasance Obligations deposited with the Trustee will not be retired within six months of the date of the deposit, then in addition to the requirements set forth in (a) through (d) above, such deposit will be accompanied by a report of an independent verification agent or certified public accountant to the effect that the principal of and the interest on the Defeasance Obligations when due and payable, together with any money deposited, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on, all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof. Otherwise, the Trust Agreement will be, continue and remain in full force and effect; provided, however, that (i) if the Bonds to be paid by the moneys or Defeasance Obligations deposited with the Trustee will not be retired within thirty days of the date of the deposit, then in addition to the requirements set forth in the Trust Agreement, the Trustee, within thirty (30) days after such moneys or Defeasance Obligations will have been deposited with it, will cause a notice signed by the Trustee to be mailed, postage prepaid, to all Owners of Bonds, setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance Obligations so held by it, and (c) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement, and (ii) (a) the Trustee will nevertheless retain such rights, powers and privileges under the

Trust Agreement as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited and (b) the Trustee will retain such rights, powers and privileges under the Trust Agreement as may be necessary and convenient for the registration, transfer and exchange of Bonds; provided, however, that failure to mail such notice to any Owner or to the Owners, or any defect in such notice so mailed, will not affect the validity of the release of the Trust Agreement.

All money and Defeasance Obligations held by the Trustee for this purpose will be held in trust and applied to the payment, when due, of the obligations payable therewith.

SUMMARY OF THE FIRST SUPPLEMENTAL TRUST AGREEMENT

Establishment of Construction Fund and Bond Fund Subaccounts

The First Supplemental Trust Agreement establishes the Series 2024 Construction Fund and within such fund, the Series 2024 Cost of Issuance Account. Proceeds of the Series 2024 Bonds will be deposited to the Series 2024 Construction Fund and Series 2024 Cost of Issuance Account as described under “SUMMARY OF THE TRUST AGREEMENT - Deposits to Series 2024 Construction Fund; Payments from Series 2024 Construction Fund” herein.

The First Supplemental Trust Agreement also establishes the following subaccounts in the Bond Fund:

- (a) Series 2024 Subaccount of the Interest Account;
- (b) Series 2024 Subaccount of the Principal Account;
- (c) Series 2024 Subaccount of Redemption Account; and
- (d) Series 2024 Subaccount of the Sinking Fund Account.

The accounts and subaccounts mentioned above will be established with and held by the Trustee pursuant to the Trust Agreement and the First Supplemental Trust Agreement.

Payments by the County

The County will, subject to the limitations of the Trust Agreement, deposit or cause to be deposited with the Trustee the following amounts, and the Trustee will apply such amounts to the various subaccounts specified above in the following order:

- (a) into the Series 2024 Subaccount of the Interest Account, on the fifth day preceding each Interest Payment Date, the interest payable on the Series 2024 Bonds on such Interest Payment Date; and
- (b) into the Series 2024 Subaccount of the Principal Account, on the fifth day preceding each April 1, the principal of all Series 2024 Bonds coming due on such April 1.

Deposits to Series 2024 Construction Fund; Payments from Series 2024 Construction Fund

(a) The Trustee will deposit into the Series 2024 Construction Fund and the Series 2024 Cost of Issuance Account the amounts so designated in the First Supplemental Trust Agreement and all other money received by the Trustee under the First Supplemental Trust Agreement and the Trust Agreement accompanied by directions from the County that such money is to be deposited into the Series 2024

Construction Fund. Earnings on investments of funds held in the Series 2024 Construction Fund will remain within the Series 2024 Construction Fund. Money will be disbursed from the Series 2024 Construction Fund and the Series 2024 Cost of Issuance Account in accordance with the procedures outlined in the First Supplemental Trust Agreement.

(b) Except as described in paragraph (d) below, on the filing from time to time with the Trustee of a requisition signed by an Authorized Officer in the form attached to the First Supplemental Trust Agreement, accompanied by appropriate documentation with respect to Costs of the Project and Costs of Issuance and, as to disbursements other than for Costs of Issuance, stating by general classification the purpose for which each disbursement is to be made and that such work was actually performed, such service was actually rendered or such materials, supplies or equipment actually delivered, installed or fabricated, the Trustee will make or cause to be made a disbursement from the Series 2024 Construction Fund or the Series 2024 Cost of Issuance Account for the payment of such Costs of the Project or Costs of Issuance, as applicable.

(c) Any balance remaining in the Series 2024 Cost of Issuance Account on December 31, 2024 will be transferred to the Series 2024 Construction Fund.

(d) On receipt of a requisition signed by an Authorized Officer in substantially the form attached to the First Supplemental Trust Agreement, the Trustee will transfer from the Series 2024 Construction Fund into a separate account of the Construction Fund to be held by the County an amount which in the aggregate may not exceed \$500,000, at one time or from time to time, to be used by the County as a revolving fund for the payment of items of Costs of the Project which cannot conveniently be paid as provided in paragraph (b) above. Such money will be deemed to be a part of the Series 2024 Construction Fund until paid out. The Trustee will apply money in the Series 2024 Construction Fund to reimburse the revolving fund from time to time for items of Costs of the Project paid with money in the revolving fund on receipt from the County of a requisition signed by an Authorized Officer in substantially the form attached to the First Supplemental Trust Agreement for the payment of reimbursement of items of Costs of the Project, which requisition will specify the payee, the amount and the purpose by general classification of each payment from the revolving fund for which such reimbursement is requested and state that each such item of Costs of the Project so paid was a necessary item of Costs of the Project. The Trustee is not responsible for funds held by the County in the separate account described in this paragraph.

Supplemental Trust Agreements Without Consent of Owners

The County may, from time to time and at any time, execute and deliver such trust agreements supplemental to the First Supplemental Trust Agreement (which supplemental trust agreements will thereafter form a part of the First Supplemental Trust Agreement) as will be substantially consistent with the terms and provisions of the First Supplemental Trust Agreement:

(a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision in the First Supplemental Trust Agreement that may be inconsistent with any other provision therein, to make any other provisions with respect to matters or questions arising under the First Supplemental Trust Agreement or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the First Supplemental Trust Agreement;

(b) to grant or to confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

(c) to add to the covenants and agreements of the County in the First Supplemental Trust Agreement other covenants and agreements thereafter to be observed by the County or to surrender any right or power reserved in the First Supplemental Trust Agreement to or conferred upon the County; or

(d) to permit the qualification of the First Supplemental Trust Agreement under any federal statute now or hereafter in effect or under any state blue sky law, and, in connection therewith, if the County so determines, to add to the First Supplemental Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or blue sky law.

At least thirty (30) days prior to the execution and delivery of any supplemental trust agreement for any of the purposes described above, the Trustee will cause at the County's expense a notice provided to it by the County of the proposed supplemental trust agreement to be mailed first-class, postage prepaid, to all Owners of the Series 2024 Bonds and to each Rating Agency then rating the Series 2024 Bonds. Such notice will briefly set forth the nature of the proposed supplemental trust agreement and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of the Series 2024 Bonds. A failure on the part of the Trustee to mail the notice described in this paragraph will not affect the validity of such supplemental trust agreement.

Modification of First Supplemental Trust Agreement With Consent of Owners

Subject to the terms and provisions contained in the First Supplemental Trust Agreement and described in this clause, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2024 Bonds then Outstanding that will be affected, as defined in the First Supplemental Trust Agreement, by a proposed supplemental trust agreement will have the right, from time to time, anything contained in the First Supplemental Trust Agreement to the contrary notwithstanding, to consent to and approve the execution and delivery by the County and the Trustee of such supplemental trust agreement as will be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the First Supplemental Trust Agreement or in any supplemental trust agreement; provided, however, that nothing contained in the First Supplemental Trust Agreement will permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Series 2024 Bond without the consent of the Owner of such Series 2024 Bond and the approval of the Local Government Commission, (b) a reduction in the principal amount of any Series 2024 Bond or the rate of interest thereon without the consent of the Owner of such Series 2024 Bond, (c) a preference or priority of any Series 2024 Bond over any other Series 2024 Bond without the consent of all Owners of the Series 2024 Bonds then Outstanding, or (d) a reduction in the aggregate principal amount of Series 2024 Bonds required for consent to such supplemental trust agreement without the consent of all Owners of the Series 2024 Bonds then Outstanding. Nothing contained in the First Supplemental Trust Agreement, however, will be construed as making necessary the approval by the Owners of the execution and delivery of any supplemental trust agreement as described in "SUMMARY OF THE FIRST SUPPLEMENTAL TRUST AGREEMENT —Supplemental Trust Agreements Without Consent of Owners" above.

The Trustee will, at the expense of the County, such expense to be paid from any available moneys, cause a notice provided to it by the County of the proposed supplemental trust agreement to be mailed, postage prepaid, to all Owners of the Series 2024 Bonds as of the date such notice is mailed and to each Rating Agency then rating the Series 2024 Bonds. Such notice will briefly set forth the nature of the proposed supplemental trust agreement and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners of the Series 2024 Bonds. The Trustee will not, however, be subject to any liability to any Owner of the Series 2024 Bonds by reason of its failure

to mail the notice described in this paragraph, and any such failure will not affect the validity of such supplemental trust agreement when approved and consented to as described in this paragraph.

Whenever, at any time within three (3) years after the date of the mailing of such notice, the County will deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of Series 2024 Bonds then Outstanding that are affected, as defined in the First Supplemental Trust Agreement, by a proposed supplemental trust agreement, which instrument or instruments will refer to the proposed supplemental trust agreement described in such notice and will specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the County and the Trustee may execute and deliver such supplemental trust agreement in substantially such form, without liability or responsibility to any Owner, whether or not such Owner will have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Series 2024 Bonds Outstanding at the time of the execution and delivery of such supplemental trust agreement and that are affected, as defined in the First Supplemental Trust Agreement, by a proposed supplemental trust agreement have consented to and approved the execution and delivery thereof as provided in the First Supplemental Trust Agreement, to the extent permitted by law, no such Owner will have any right to object to the execution and delivery of such supplemental trust agreement, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution and delivery thereof, or enjoin or restrain the County or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

Upon the execution and delivery of any supplemental trust agreement pursuant to the provisions described above, the First Supplemental Trust Agreement will be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the First Supplemental Trust Agreement of the County, the Trustee and all Owners will thereafter be determined, exercised and enforced in all respects pursuant to the provisions of the First Supplemental Trust Agreement, as so modified and amended.

SUMMARY OF THE DEED OF TRUST

Grant and Release of Easements; Release of Mortgaged Property

If no Event of Default under the Deed of Trust will have occurred and will continue to exist, the County may at any time or times grant easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to any part of the Mortgaged Property, and the County may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration, and the Beneficiary agrees that it will execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written application signed by the County requesting such instrument and (c) a certificate executed by the County that the grant or release (i) is not detrimental to the proper conduct of the operations of the County at the Mortgaged Property and (ii) will not impair the effective use of or interfere with the operations of the County at the Mortgaged Property and will not impair the value of the security under the Deed of Trust in contravention of the provisions thereof or of the Trust Agreement.

At any time and from time to time, so long as no Event of Default has occurred and is continuing, the Deed of Trust Trustee and the Beneficiary will be required to release a portion of the Mortgaged

Property from the lien and security interest created by the Deed of Trust when and if the requirements set forth in the Trust Agreement and described under “SUMMARY OF THE TRUST AGREEMENT - Release of Mortgaged Property” above have been met.

Remedies of the Deed of Trust Trustee Upon Default

If any of the following events will occur:

(i) default in the payment of principal of, premium, if any, or interest on the Bonds, and the expiration of any applicable grace or notice periods provided in the Bonds or the Trust Agreement;

(ii) default in any payment under the Trust Agreement or any of the other terms or conditions of the Trust Agreement secured by the Deed of Trust and the expiration of any applicable grace or notice periods provided thereby;

(iii) failure by the County to observe and perform any warranty, covenant, condition or agreement on the part of the County under the Deed of Trust other than as described in the Deed of Trust for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the County by the Beneficiary unless the Beneficiary will agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be reasonably corrected within the applicable period, and if corrective action is instituted by the County within the applicable period and diligently pursued, the County will have an additional period following such written notice to correct the failure; or

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

then and in any of such events (hereinafter referred to as an “Event of Default”), all payments under the Trust Agreement will, at the option of the Beneficiary, become at once due and payable, regardless of the maturity date or other due date thereof.

Upon the occurrence of an Event of Default, and at the direction of the Beneficiary:

(i) To the extent permitted by law, the Deed of Trust Trustee will have the right to enter upon the Mortgaged Property to such extent and as often as the Deed of Trust Trustee, in his sole discretion, deems necessary or desirable in order to cure any default by the County. The Deed of Trust Trustee may take possession of all or any part of the Mortgaged Property and may hold, operate and manage the same, and from time to time make all needful repairs and improvements as will be deemed expedient by the Deed of Trust Trustee; and the Deed of Trust Trustee may lease any part of the Mortgaged Property in the name of and for the account of the County, and collect, receive and sequester the rent, revenues, receipts, earnings, income, products and profits therefrom, and out of the same and from any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Deed of Trust Trustee, his agents and counsel, and any taxes and assessments and other charges prior to the lien of the Deed of Trust which the Deed of Trust Trustee may deem it proper to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of the Deed of Trust.

(ii) To the extent permitted by law, the Deed of Trust Trustee will have the right after an Event of Default to the appointment of a receiver to collect the rents and profits from the Mortgaged Property without consideration of the value of the premises or the solvency of any person liable for the payment of the amounts then owing, and all amounts collected by the receiver will, after expenses of the receivership, be applied to the payment of the obligations secured by the Deed of Trust, and the Deed of Trust Trustee, at his option, in lieu of an appointment of a receiver, will have the right to do the same. If such receiver should be appointed or if there should be a sale of such premises, as provided below, the County, or any person in possession of the premises thereunder, as tenant or otherwise, will become a tenant at will of the receiver or of the purchaser and may be removed by a writ of ejectment, summary ejectment or other lawful remedy.

(iii) The Deed of Trust Trustee will have the right to assign to any other person, for lawful consideration, any rents, revenues, earnings, income, products and profits receivable under the Deed of Trust, provided that the proceeds of any such assignment will be applied as provided in the Deed of Trust.

(iv) The Deed of Trust Trustee is authorized and empowered to expose to sale and to sell the Mortgaged Property or such part or parts thereof or interests therein as the Deed of Trust Trustee deems prudent at public auction for cash, and upon collection of the proceeds from such sale to make and deliver a deed therefor, after first having complied with all applicable requirements of North Carolina law with respect to the exercise of powers of sale contained in deeds of trust. The County agrees that in the event of a sale under the Deed of Trust, the Beneficiary will have the right to bid at it and to become the purchaser. The Deed of Trust Trustee may require the successful bidder at any sale to deposit immediately with the Deed of Trust Trustee cash or a certified check in an amount not to exceed five percent (5%) of his bid, provided notice of such requirement is contained in the advertisement of the sale. The bid may be rejected if the deposit is not immediately made and thereupon the next highest bidder may be declared to be the successful bidder. Such deposit will be refunded in case a resale is had; otherwise it will be applied to the purchase price. The sale of the Mortgaged Property or any part thereof or any interest therein, whether pursuant to judicial foreclosure, foreclosure under power of sale or otherwise under the Deed of Trust, will forever bar any claim with respect to the Mortgaged Property by the County.

(v) To the extent permitted by law, the Beneficiary, immediately and without additional notice and without liability therefor to the County, may do or cause to be done any or all of the following: (A) take physical possession of the Mortgaged Property; (B) exercise its right to collect the rents and profits thereof; (C) enter into contracts for the completion, repair and maintenance of the Mortgaged Property; (D) expend any rents, income and profits derived from the Mortgaged Property for payment of any taxes, insurance premiums, assessments and charges for completion, repair and maintenance of the Mortgaged Property, preservation of the lien of the Deed of Trust and satisfaction and fulfillment of any liabilities or obligations of the County arising out of or in any way connected with the Mortgaged Property whether or not such liabilities and obligations in any way affect, or may affect, the lien of the Deed of Trust; (E) enter into leases demising the Mortgaged Property or any part thereof; (F) take such steps to protect and enforce the specific performance of any covenant, condition or agreement in the Deed of Trust or the Trust Agreement or to aid the execution of any power granted in the Deed of Trust; and (G) generally, supervise, manage, and contract with reference to the Mortgaged Property as if the Beneficiary were the equitable owner of the Mortgaged Property. The County also agrees that any of the foregoing rights and remedies of the Beneficiary may be exercised at any time independently of the exercise of any other such rights and remedies, and the Beneficiary may continue to exercise any or all such rights and remedies until the Event(s) of Default of the County are cured with the consent of the Beneficiary or until foreclosure and the conveyance of the Mortgaged Property to the high bidder or until the indebtedness secured by the Deed of Trust is otherwise satisfied or paid in full. Notwithstanding anything in the Deed of Trust to the contrary, upon the occurrence and continuance of an Event of Default, before taking any foreclosure action, directing the Deed of Trust Trustee to take any foreclosure action or taking any action which may subject the Trustee

to liability under any environmental law, statute, regulation or similar requirement relating to the environment, the Trustee may require that a satisfactory indemnity bond, indemnity or environmental impairment insurance be furnished for the payment or reimbursement of all expenses to which it may be put and to protect it against all liability resulting from any claims, judgment, damages, losses, penalties, fines, liabilities (including strict liability) and expenses which may result from such foreclosure or other action and the Trustee will not be required to take or direct the Deed of Trust Trustee to take any such foreclosure action if it reasonably determines that the approval of a governmental regulator that cannot be obtained is necessary for such foreclosure action.

(vi) The Beneficiary may proceed against the fixtures referred to in the Deed of Trust as provided in and in accordance with the applicable provisions of the Uniform Commercial Code as adopted by the State of North Carolina, as amended (the "UCC") or, at its election, may proceed and may instruct the Deed of Trust Trustee to proceed as to the portion of the Mortgaged Property constituting fixtures, in accordance with its rights and remedies with respect thereto and those granted to the Deed of Trust Trustee, all as set forth in the Deed of Trust. Subject to any limitations imposed by the applicable provisions of the UCC, the Beneficiary may sell, lease, or otherwise dispose of all or any part of the fixtures, at public or private sale, for cash or on credit, as a whole or in part, and the Beneficiary may at such sale or sales purchase the fixtures or any part thereof. The proceeds of such sale, lease, collection or other disposition will be applied first to the costs and expenses of the Beneficiary incurred in connection with such sale, lease, collection or other disposition, and then to such outstanding balance due on any and all indebtedness owed to the Beneficiary. Further, the Beneficiary may require the County to assemble the fixtures, or evidence thereof, and make them reasonably available to the Beneficiary at one or more places to be designated by the Beneficiary which are reasonably convenient to the Beneficiary, and the Beneficiary may take possession of the fixtures and hold, prepare for sale, lease or other disposition and sell, lease or otherwise dispose of the fixtures. Any required notice by the Beneficiary of sale or other disposition or default, when mailed to the County at its address set forth in the Deed of Trust, will constitute reasonable notice to the County. In addition to, but not in limitation of, any of the foregoing, the Beneficiary may exercise any or all of the rights and remedies afforded to the Beneficiary by the provisions of the UCC or otherwise afforded to the Beneficiary under the Deed of Trust, with all such rights and remedies being cumulative and not alternative, and the County agrees, to the extent permitted by law, to pay the reasonable costs of collection, including, in addition to the costs and disbursements provided by statute, reasonable attorneys' fees and legal expenses which may be incurred by the Beneficiary subject to the procedures and limitations set forth in Section 6-21.2 of the General Statutes of North Carolina, as amended.

In all such cases, the Beneficiary will have the right to direct the Deed of Trust Trustee to exercise the remedies granted under the Deed of Trust.

The County waives, to the full extent it lawfully may, the benefit of all appraisal, valuation, stay, moratorium, exemption from execution, extension and redemption laws and any statute of limitations, now or hereafter in force and all rights of marshalling in the event of the sale of the Mortgaged Property or any part thereof or any interest therein.

Except as set forth in the following paragraph, the preceding paragraphs will in no way be construed to limit the powers of sale or to restrict the discretion the Deed of Trust Trustee may have under the provisions of Article 2A of Chapter 45 of the General Statutes of North Carolina, as amended. Each legal, equitable or contractual right, power or remedy of the Deed of Trust Trustee now or hereafter provided in the Deed of Trust or by statute or otherwise will be cumulative and concurrent and will be in addition to every other right, power and remedy, and the exercise or beginning of the exercise by the Deed of Trust Trustee of any one or more of such rights, powers and remedies will not preclude the simultaneous or later exercise of any or all such other rights, powers and remedies.

NOTWITHSTANDING ANYTHING IN THE DEED OF TRUST TO THE CONTRARY, NO DEFICIENCY JUDGMENT WILL BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH BY THE COUNTY OF ITS OBLIGATIONS WITH RESPECT TO THE BONDS OR OTHERWISE UNDER THE TRUST AGREEMENT OR THE DEED OF TRUST; THE REMEDIES PROVIDED UNDER THE DEED OF TRUST, INCLUDING FORECLOSURE AND SALE OF THE MORTGAGED PROPERTY UNDER THE DEED OF TRUST, BEING THE SOLE REMEDIES GRANTED BY THE DEED OF TRUST. THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED IN ANY WAY, DIRECTLY OR INDIRECTLY, TO SECURE THE PAYMENT OF ANY MONEYS DUE UNDER THE TRUST AGREEMENT, INCLUDING THE PAYMENT OF THE BONDS OR ANY ADDITIONAL PAYMENTS BY THE COUNTY UNDER THE TRUST AGREEMENT, THE DEED OF TRUST OR ANY OTHER INSTRUMENT CONTEMPLATED THEREBY.

Application of Proceeds

The proceeds of (a) the operation and management of the Mortgaged Property, (b) any sale of the Mortgaged Property or any interest therein, whether pursuant to judicial foreclosure, foreclosure under power of sale or otherwise, and (c) any insurance policies or eminent domain awards or other sums (other than awards or sums to which the County is entitled to under the Trust Agreement) retained by the Deed of Trust Trustee upon the occurrence of an Event of Default will be applied to pay:

First: The costs and expenses of sale, reasonable attorneys' fees, costs and expenses actually incurred to the extent permitted by Section 6-21.2 of the General Statutes of North Carolina, as amended, the Beneficiary's fees, costs and expenses, court costs, any other expenses or advances made or incurred in the protection of the rights of the Beneficiary or in the pursuance of any remedies under the Deed of Trust and the Deed of Trust Trustee's commission payable under the Deed of Trust;

Second: All taxes and assessments then constituting a lien against such premises other than those advertised and sold subject to;

Third: Any indebtedness or other obligation secured by the Deed of Trust and at the time due and payable (whether by acceleration or otherwise) in the manner and subject to the priority provided in the Trust Agreement; and

Fourth: The balance, if any, to the persons then entitled thereto under the Trust Agreement.

No Assignment or Encumbrance of Mortgaged Property

Except in accordance with the Deed of Trust and the Trust Agreement, the County will not sell, transfer, exchange, lease, mortgage, encumber, pledge, assign or otherwise dispose of the Mortgaged Property, or any interest therein or any part thereof, without the prior written consent of the Beneficiary. Any such disposition or encumbrance of the Mortgaged Property, or any interest therein or any part thereof, without such prior written consent will, at the option of the Beneficiary, constitute a default under the Deed of Trust, giving rise to all of the remedies herein provided for an Event of Default.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

Set forth below is the proposed opinion of McGuireWoods LLP, Bond Counsel, regarding the 2024 Bonds. It is preliminary and subject to change prior to delivery of the 2024 Bonds.

[Letterhead of McGuireWoods LLP]

October 3, 2024

County of Rowan, North Carolina
Salisbury, North Carolina

\$67,395,000
County of Rowan, North Carolina
Limited Obligation Bonds, Series 2024

Ladies and Gentlemen:

We have served as bond counsel to the County of Rowan, North Carolina (the “County”) in connection with the issuance by the County of its \$67,395,000 Limited Obligation Bonds, Series 2024 (the “Series 2024 Bonds”). The Series 2024 Bonds are being issued pursuant to a Trust Agreement dated as of October 1, 2024 (the “Original Trust Agreement”), between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and a First Supplemental Trust Agreement dated as of October 1, 2024 (the “First Supplemental Trust Agreement”), between the County and the Trustee. The Original Trust Agreement and the First Supplemental Trust Agreement, are referred to herein as the “Trust Agreements.”

The proceeds of the Series 2024 Bonds will be used to finance (a) the construction and equipping of a new school in the Rowan-Salisbury School System for grades 3-8, to be constructed at 1625 Park Road West in Salisbury, North Carolina (the “New School Project”), (b) the design, construction and equipping of roofing projects at various schools within the Rowan-Salisbury School System (the “Roofing Projects”), (c) the construction and equipping of an addition to Fred L. Wilson Elementary School of the Kannapolis City Schools (the “Wilson Elementary Project”) and (d) certain costs incurred in connection with the issuance and sale of the Series 2024 Bonds.

The County’s obligations under the Trust Agreements are secured by a Deed of Trust dated as of October 1, 2024 (the “Deed of Trust”), granting a lien of record on the site of the New School Project and the real estate improvements thereon and appurtenances thereto (the “Mortgaged Property”). All terms not defined herein are as defined in the Trust Agreements.

Reference is made to the Trust Agreements and the form of the Series 2024 Bonds for additional information concerning the details of the Series 2024 Bonds, including the payment and redemption provisions, their purpose and the proceedings pursuant to which they are executed and delivered. Reference is made to the opinion of John W. Dees, II, Esq., counsel for the County, dated today and addressed to you and to us, as to certain matters concerning the County. Reference is further made to a title insurance policy, with endorsements, issued by Chicago Title Insurance Company, upon which you are relying as to matters therein. We have not examined the title to any part of the real estate constituting a portion of the Mortgaged Property, and no opinion as to such matters is expressed herein, either expressly or by implication or to the

extent that enforceability of a remedy may be dependent on the title to or ownership of the Mortgaged Property.

In connection with this opinion, we have examined (i) the Constitution of North Carolina, (ii) the applicable laws of (A) the State of North Carolina (the “State”), including without limitation Section 160A-20 of the General Statutes of North Carolina, and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the “Code”), (iii) certified copies of the proceedings of the Board of Commissioners of the County (the “Board of Commissioners”) in authorizing the Series 2024 Bonds, including a certified copy of a resolution adopted by the Board of Commissioners on August 19, 2024, (iv) the Trust Agreements, (v) the Deed of Trust, and (vi) other documents relating to the issuance of the Series 2024 Bonds as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon (i) representations of the County, including, without limitation, representations as to the use of proceeds of the Series 2024 Bonds, (ii) certifications of public officials furnished to us and (iii) certifications and representations contained in certificates of the County and others delivered at closing, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the County, and we have further assumed the due organization, existence, and powers of all parties other than the County.

Based on the foregoing, in our opinion, under current law:

1. The County is a political subdivision of the State validly existing under the laws of the State and has full power and authority to execute, deliver and perform its obligations under the Original Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust.

2. The Original Trust Agreement, the First Supplemental Trust Agreement, and the Deed of Trust have each been duly authorized, executed and delivered by the County and constitute valid and binding agreements of the County enforceable against the County in accordance with their terms. The Series 2024 Bonds have been duly authorized and issued by the County and constitute valid and binding limited obligations of the County enforceable against the County in accordance with their terms.

3. Under current law, interest on the Series 2024 Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax on individuals. However, such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Series 2024 Bonds.

In delivering this opinion, we are (i) relying upon and assuming the accuracy of certifications and representations of representatives of the County as to facts material to the opinion, and (ii) assuming continuing compliance by the County with the Covenants (as defined below), so that interest on the Series 2024 Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. The Code and the regulations promulgated thereunder contain a number of requirements that

must be satisfied after the issuance of the Series 2024 Bonds in order for interest on the Series 2024 Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Series 2024 Bonds and the use of the property financed or refinanced by the Series 2024 Bonds, limitations on the source of the payment of and the security for the Series 2024 Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2024 Bonds to the United States Treasury. The tax certificate and related documents for the Series 2024 Bonds (the "Tax Certificate") delivered at closing by the County contain covenants (the "Covenants") with which it has agreed to comply. A failure to comply with the Covenants could cause interest on the Series 2024 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2024 Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2024 Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Series 2024 Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Series 2024 Bonds is excludable from gross income of the owners thereof for purposes of income taxation by the State. We express no opinion regarding (i) other tax consequences arising with respect to the Series 2024 Bonds under the laws of the State or (ii) any consequences arising with respect to the Series 2024 Bonds under the tax laws of any state or local jurisdiction other than the State.

The rights of the owners of the Series 2024 Bonds and the enforceability of the Series 2024 Bonds, the Trust Agreements and the Deed of Trust are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Such obligations are also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of the obligations. In addition, (i) the obligation of the County to make any payments under the Trust Agreements is subject to the provisions thereof with respect to appropriation of funds on an annual basis by the Board of Commissioners and no deficiency judgment may be rendered against the County in any action for breach of a contractual obligation under the Trust Agreements and the taxing power of the County is not and may not be pledged directly or indirectly to secure any amounts due under the Trust Agreements; and (ii) no opinion is given as to the enforceability of any indemnification provision in any such document.

Our services as bond counsel to the County have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to opine on the validity of the Series 2024 Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Series 2024 Bonds in making a decision to purchase the Series 2024 Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any

facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

[To be signed "McGuireWoods 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 bonds representing their interests in the 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.

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 2024 Bond in the aggregate principal amount of each maturity of the 2024 Bonds will be issued and 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 transaction in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, 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 Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2024 Bonds defined above 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. Beneficial owners will not receive physical bonds representing their ownership interests in 2024 Bonds, except in the event that use of the book-entry system for the 2024 Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2024 Bonds with DTC and their registration in the name of Cede & Co. or such other 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 the 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 the 2024 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 Bond to be prepaid.

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 County 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 the 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 AGREEMENTS, BENEFICIAL OWNERS MAY HAVE A RESTRICTED ABILITY TO INFLUENCE IN A TIMELY FASHION REMEDIAL ACTION OR THE GIVING OR WITHHOLDING OR REQUESTED CONSENTS OR OTHER DIRECTIONS. IN ADDITION, BECAUSE THE IDENTITY OF BENEFICIAL OWNERS IS UNKNOWN TO THE COUNTY OR TO DTC, IT MAY BE DIFFICULT TO TRANSMIT INFORMATION OF POTENTIAL INTEREST TO BENEFICIAL OWNERS IN AN EFFECTIVE AND TIMELY MANNER. **BENEFICIAL OWNERS SHOULD MAKE APPROPRIATE**

ARRANGEMENTS WITH THEIR BROKER OR DEALER REGARDING DISTRIBUTION OF INFORMATION REGARDING THE 2024 BONDS THAT MAY BE TRANSMITTED BY OR THROUGH DTC.

Principal, 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 County on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC (nor its nominee) or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the County'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. Under such circumstances, in the event that a successor depository is not obtained, physical 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 bonds will be printed and delivered to DTC.

THE COUNTY HAS 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 ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TRUST AGREEMENTS 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 accuracy thereof.

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