NEW ISSUE—BOOK-ENTRY ONLY

Ratings: Moody's: Aa3
S&P: AA-
(See "RATINGS" herein)

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

$26,630,000
COUNTY OF LEE, NORTH CAROLINA
Limited Obligation Bonds
Series 2024

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

Nature of the County's Payment Obligation; Security:	The payment by the County of the principal of and interest on the 2024 Bonds shall be limited to funds appropriated for that purpose by the Board of Commissioners for the County in its sole discretion. As security for the 2024 Bonds, the County will execute and deliver a Deed of Trust (as defined herein) granting, among other things, a lien of record on the Mortgaged Property (as defined herein), subject to Permitted Encumbrances (as defined herein). **THE OBLIGATION TO MAKE PAYMENTS ON THE 2024 BONDS IS NOT A GENERAL OBLIGATION OF THE COUNTY, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONIES DUE TO THE OWNERS OF THE 2024 BONDS.**
Purpose:	The proceeds of the 2024 Bonds, together with other available funds, will be used to pay (a) the costs of (i) acquiring, constructing and equipping a new public library and (ii) providing various upgrades and improvements to the County's emergency communications system, and (b) the fees and expenses incurred in connection with the sale and issuance of the 2024 Bonds.
Tax Treatment:	In the opinion of Womble Bond Dickinson (US) LLP, Bond Counsel, under existing law and assuming continuing compliance by the County with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "*Code*"), interest on the 2024 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the 2024 Bonds held by certain corporations will be included in the computation of "adjusted financial statement income" for purposes of the federal alternative minimum tax imposed on such corporations. In the opinion of Bond Counsel, under existing law, interest on the 2024 Bonds will be exempt from all State of North Carolina income taxes. See **"TAX TREATMENT"** herein.
Redemption:	The 2024 Bonds are subject to optional redemption prior to maturity as described 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 10, 2024
Trustee:	U.S. Bank Trust Company, National Association
Bond Counsel:	Womble Bond Dickinson (US) LLP, Raleigh, North Carolina
County Attorney:	Whitney P. Parrish, Esq., Sanford, North Carolina
Underwriter's Counsel:	Pope Flynn, LLC, Charlotte, North Carolina
Financial Advisor:	Davenport & Company LLC

WELLS FARGO SECURITIES

The date of this Official Statement is September 25, 2024

MATURITY SCHEDULE

$26,630,000
County of Lee, North Carolina
Limited Obligation Bonds
Series 2024

Due October 1	Principal Amount	Interest Rate	Yield	CUSIP Number+
2025	$2,180,000	5.00%	2.64%	523724BS0
2026	2,245,000	5.00	2.45	523724BT8
2027	2,310,000	5.00	2.44	523724BU5
2028	2,375,000	5.00	2.47	523724BV3
2029	2,450,000	5.00	2.48	523724BW1
2030	1,005,000	5.00	2.58	523724BX9
2031	1,005,000	5.00	2.69	523724BY7
2032	1,005,000	5.00	2.80	523724BZ4
2033	1,005,000	5.00	2.86	523724CA8
2034	1,005,000	5.00	2.92	523724CB6
2035	1,005,000	5.00	3.02*	523724CC4
2036	1,005,000	5.00	3.08*	523724CD2
2037	1,005,000	5.00	3.13*	523724CE0
2038	1,005,000	5.00	3.15*	523724CF7
2039	1,005,000	5.00	3.23*	523724CG5
2040	1,005,000	5.00	3.32*	523724CH3
2041	1,005,000	5.00	3.42*	523724CJ9
2042	1,005,000	4.00	3.90*	523724CK6
2043	1,005,000	4.00	3.95*	523724CL4
2044	1,000,000	4.00	4.00	523724CM2

* Yield to October 1, 2034 call date at 100%.

+ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP data herein is provided solely for the convenience of reference only, and none of the County or the Underwriter make any representation to the correctness of the CUSIP numbers either as printed on the 2024 Bonds or as contained herein.

In connection with this offering, Wells Fargo Bank, National Association (the "*Underwriter*") may over allot 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.

Neither the 2024 Bonds nor the Trust Agreement (as defined herein) have been registered or qualified with the U.S. Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended. The registration or qualification of the 2024 Bonds or the Trust Agreement in accordance with applicable provisions of securities laws 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. The 2024 Bonds 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 Official Statement. 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.

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).

For purposes of compliance with Rule 15c2-12, this Official Statement is deemed to be a final official statement with respect to the 2024 Bonds within the meaning of Rule 15c2-12, except, when it is in preliminary form, for the omission of certain pricing and other information authorized to be omitted by Rule 15c2-12.

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

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$26,630,000
LEE COUNTY, 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 $26,630,000 in aggregate principal amount of the County of Lee, North Carolina Limited Obligation Bonds, Series 2024 (the "*2024 Bonds*").

The 2024 Bonds will be executed and delivered pursuant to a Master Trust Agreement, dated as of October 1, 2024 (the "*Master Trust Agreement*"), between the County of Lee, North Carolina (the "*County*") and U.S. Bank Trust Company, National Association (the "*Trustee*"), and a First Supplemental Trust Agreement, dated as of October 1, 2024 (the "*First Supplemental Trust Agreement*" and, collectively with the Master Trust Agreement, the "*Trust Agreement*"), between the County and the Trustee.

The County may issue additional bonds pursuant to the Master Trust Agreement, which bonds would also be secured on a parity with the 2024 Bonds. See "**SECURITY AND SOURCES OF PAYMENT FOR THE 2024 BONDS—Additional Bonds**" herein.

Authorization. The County is issuing the 2024 Bonds pursuant to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended (the "*Act*"), and a resolution of the Board of Commissioners for the County (the "*Board of Commissioners*") adopted on August 19, 2024. Each 2024 Bond, together with the corresponding obligations of the County under the Trust Agreement and the Deed of Trust (hereinafter defined) relating thereto, will be deemed an "installment contract" under the Act.

The 2024 Bonds received the required 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*"). Its approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing, the LGC must determine, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the proposed financing are not excessive for the local government.

Purpose. The proceeds of the 2024 Bonds, together with other available funds, will be used to pay (a) the costs of (i) acquiring, constructing and equipping a new public library in Sanford, North Carolina (the "*Library Project*"), and (ii) providing various upgrades and improvements to the County's emergency communications system (the "*Communications Equipment*" and, together with the Library Project, the "*2024 Project*"), and (b) the fees and expenses incurred in connection with the sale and issuance of the 2024 Bonds. See "**THE PLAN OF FINANCE**" herein.

Nature of the County's Payment Obligation; 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 sole discretion.

As security for the Bonds (as defined herein), the County will execute and deliver to a deed of trust trustee (the "*Deed of Trust Trustee*"), a Deed of Trust, dated as of October 1, 2024 (the "*Deed of Trust*"), for the benefit of the Trustee, granting a lien of record on the site of the Library Project and all improvements and fixtures located or to be located thereon and all 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 authorizes future obligations evidenced by additional bonds executed and delivered under the Master Trust Agreement ("*Additional Bonds*" and, together with the 2024 Bonds, the "*Bonds*"), as described below, to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured by the Deed of Trust at any one time does not exceed $150,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

In addition, the County will grant to the Trustee a lien on and security interest in all moneys held by the Trustee in applicable accounts and subaccounts of the Bond Fund, the Project Fund and the Net Proceeds Fund created under the Trust Agreement.

If a default occurs under the Trust Agreement, the Trustee can 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 Bonds. No assurance can be given that any such proceeds will be sufficient to pay the principal of and 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 Agreement) are insufficient to pay the 2024 Bonds in full. The 2024 Bonds do not constitute a pledge of the County's faith and credit or taxing power within the meaning of any constitutional provision.

Details of the 2024 Bonds. The 2024 Bonds will be dated as of the date of issuance thereof, and will mature, subject to prior redemption as described herein, on October 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, commencing 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.

Book-Entry Only Form. The 2024 Bonds will initially be delivered as fully registered certificates in book-entry-only form without physical delivery of certificates to the beneficial owners of the 2024 Bonds. The Trustee will make payments of principal of and interest on the 2024 Bonds to The Depository Trust Company ("*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.

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 events. See "**CONTINUING DISCLOSURE**" herein.

Definitions; Document Summaries. See Appendix C hereto for a summary of certain provisions of the Master Trust Agreement, the First Supplemental Trust Agreement and the Deed of Trust and for the definition of certain capitalized terms used herein. Unless otherwise indicated, capitalized terms used herein and not otherwise defined shall have the same meanings given such terms in the Master 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, subject to prior redemption as described below, on October 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, commencing 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 payments will be made on each Interest Payment Date to the person or entity shown as the owner of the 2024 Bond as of the applicable Regular Record Date. “Regular Record Date” means the end of the calendar day on the 15th day of the month (whether or not a Business Day) preceding an Interest Payment Date.

Book-Entry Only

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

Redemption Provisions

Optional Redemption. The 2024 Bonds maturing on or prior to October 1, 2034 are not subject to redemption prior to their respective maturities. The 2024 Bonds maturing on or after October 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 October 1, 2034, at a Redemption Price equal to 100% of the principal amount of 2024 Bonds to be redeemed, plus accrued interest, if any, to the redemption date.

Notice of Redemption. The Trustee shall send notice of redemption of any 2024 Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the redemption to all Owners of 2024 Bonds to be redeemed in whole or in part, but notice to DTC will be sent as authorized or required by DTC. Failure to mail any notice to any Owners or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given.

Any notice of redemption may state that the redemption to be effected is conditioned on the receipt by the Trustee on or before the redemption date of moneys sufficient to pay the Redemption Price of and interest on the 2024 Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such 2024 Bonds shall not be required to be redeemed. If such notice contains such a condition and money sufficient to pay the Redemption Price of and interest on such 2024 Bonds is not received by the Trustee on or prior to the redemption date, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Selection of 2024 Bonds for Redemption. The 2024 Bonds will be redeemed only in whole multiples of $5,000. If less than all of the 2024 Bonds are called for redemption, the 2024 Bonds of each maturity to be so redeemed will be called for redemption in the manner set forth in an Officer’s Certificate filed with the Trustee. If less than all of the 2024 Bonds of any one maturity are to be called for redemption, the Trustee will select such 2024 Bonds to be redeemed by lot, each $5,000 portion of principal being counted as one 2024 Bond for this purpose; provided, however, that so long as the only

Owner of the 2024 Bonds is DTC, such selection will be made by DTC by lot in accordance with its operating rules and procedures.

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 Agreement and from certain other moneys, including certain proceeds of the sale of the 2024 Bonds, certain investment earnings, certain Net Proceeds, if any, and certain amounts realized from any sale or lease of the Mortgaged Property pursuant to the Deed of Trust, which payments and other moneys have been pledged to such payment as provided in the Trust Agreement.

Payment of Bonds; Limited Obligation; Budgeting

The County shall cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner described herein. 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 the 2024 Project, any Additional Project or the Bonds, including, without limitation, (i) all costs, expenses, compensation and indemnity 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) all other necessary administrative costs of the County or to indemnify any Indemnified Party; and (iv) any other payments specified as Additional Payments under a Supplemental Trust Agreement.

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, 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 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 is required to promptly provide notice of any Event of Nonappropriation to the Trustee, the LGC and each Rating Agency.

Trust Agreement

Under the Master Trust Agreement, the County will grant to the Trustee a security interest in all money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to the Master Trust Agreement, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Trust Agreement as security only for a specified Series of Bonds.

Deed of Trust

General. 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 Agreement. 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 Bonds.

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 Master Trust Agreement 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:

(i) there is filed with the Trustee 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;

(ii) there is filed with the Trustee evidence that 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 selected by the County, (B) the insured value of the remaining Mortgaged Property or (C) the assessed 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 selected by the County, (2) the insured value of the remaining Mortgaged Property and the Substitute Property or (3) the assessed 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 Master 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

(iii) there is filed with the Trustee a certificate of an Authorized Officer stating that 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.

Grant and Release of Easements, Air Rights and Other Interests. If no Event of Default under the Deed of Trust has occurred and continues to exist, the County may at any time or times grant easements, licenses, rights of way, air rights and other rights or privileges of a similar nature with respect to any part of the Mortgaged Property, and the County may release existing easements, licenses, rights of way, air rights and other rights or privileges, with or without consideration, and the Trustee, as beneficiary under the Deed of Trust, 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 easement, license, right of way, air rights or other right or privilege and, if required, to subordinate the lien created by the Deed of Trust to any such easement, license, right of way, air rights or other right or privilege, but only upon receipt of (i) a copy of the instrument of grant or release to be executed, (ii) a copy of any subordination agreement providing for the subordination of the Deed of Trust and the lien created thereby to any such easement, license, right of way, air rights or other right or privilege, (iii) a written application signed by an Authorized Officer requesting the execution and delivery of any such instruments, and (iv) a certificate executed by an Authorized Officer that such grant or release (A) will not impair the effective use of, or interfere with, the operations of the Mortgaged Property by the County and (B) will not impair the effective use of or interfere with the operations of the County at the Mortgaged Property or materially impair the value of the security under the Deed of Trust in contravention of the provisions thereof.

See "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE DEED OF TRUST—Grant and Release of Easements, Air Rights and Other Interests; Release of Mortgaged Property**" in Appendix C hereto.

Title Insurance

A mortgagee title insurance policy that insures the County's interest in the Mortgaged Property and names the Trustee as the beneficiary will be delivered to the Trustee at the time the 2024 Bonds are issued in the amount of $24,000,000. 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 Agreement 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 ISSUANCE OF THE 2024 BONDS SHALL NOT BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. IN ADDITION, NEITHER THE 2024 BONDS NOR THE TRUST AGREEMENT DIRECTLY OR INDIRECTLY OR CONTINGENTLY 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 BONDS, THE TRUSTEE MAY DECLARE THE ENTIRE UNPAID PRINCIPAL OF THE 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 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUCH PROCEEDS WILL BE SUFFICIENT TO PAY ALL OF THE PRINCIPAL OF AND INTEREST ON THE 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 MASTER TRUST AGREEMENT-Acceleration"** and **"—Additional Remedies on Default**" in Appendix C hereto.

Additional Bonds

Under the conditions described in the Master Trust Agreement, without the approval or consent of the Owners of the then outstanding 2024 Bonds, additional bonds ("*Additional Bonds*") may be issued under the Master Trust Agreement and secured on a parity with the 2024 Bonds to provide funds, together with any other available funds, for paying (1) the Project Costs for completing the acquisition, construction or equipping of the 2024 Project, (2) the Project Costs for the acquisition, construction or equipping of any Additional Project, and (3) the costs (including financing costs) of refunding any Bonds or, to the extent permitted by law, indebtedness other than Bonds. See "**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SUMMARY OF THE MASTER TRUST AGREEMENT—Terms and Conditions for Issuance of Bonds**" in Appendix C hereto.

THE PLAN OF FINANCE

The proceeds of the 2024 Bonds, together with other available funds, will be used for the purposes of paying (a) the costs of acquiring, constructing and equipping the Library Project, (b) the costs of acquiring the Communications Equipment, and (c) the fees and expenses incurred in connection with the sale and issuance of the 2024 Bonds.

The Library Project consists of the construction of a new county library to be located on a 10.96-acre parcel of property. The Library Project is expected to be approximately 34,980 square feet and will include a large multi-purpose space, multiple small meeting areas, a children's programming area located inside and another children's programming area located outside, a makers space, teen area, adult collection and local history area. The Library Project is located in close proximity to a public high school and Central Carolina Community College.

The Library Project is being procured under the construction manager at risk method with Samet Corporation and Sanford Contractors serving as the construction manager. Construction on the Library Project is expected to begin in the fall of 2024 and be completed in early 2026. The total cost of the Library Project is approximately $24 million, which includes a County contribution of approximately $2 million.

The Communications Equipment consists of the acquisition and installation of new hardware and software compatible with MCC 7500 Dispatch console equipment for the County Fire Marshal, Fire Department, EMS, Sheriff's Department, the Town of Broadway and up to eight volunteer fire districts. The total cost of the Communications Equipment is approximately $6,800,000.

The Mortgaged Property is comprised of the Library Project only. The Communications Equipment is not included in the Mortgaged Property.

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	$26,630,000
Original Issue Premium	2,719,001
County Contribution	2,000,000
TOTAL SOURCES	$31,349,001
USES:	
Project Costs	$30,910,446
Issuance Costs[1]	438,555
TOTAL USES	$31,349,001

[1] Includes legal fees, underwriter's discount, rating agency fees, financial advisor fees, title insurance premium, fees and expenses of the Trustee and miscellaneous fees and expenses.

AVAILABLE SOURCES FOR PAYMENT OF THE 2024 BONDS

General

The County may pay amounts due under the Trust Agreement from any source of funds available to it in each year and appropriated therefor during the term of the Trust Agreement.

General Fund Revenues

The County's audited general fund revenues for the fiscal year ended June 30, 2023 were $91,054,025 and for the fiscal year ended June 30, 2024 were $95,347,683 (unaudited). General fund revenues are derived from various sources, including property taxes (which accounted for approximately 64.4% of the general fund revenues in the fiscal year ended June 30, 2024), 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 $0.65 per $100 of assessed value. The County is imposing a tax rate of $0.65 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 $662,353 and $878,247, respectively. The General Statutes of North Carolina permit units of government 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.

DEBT SERVICE SCHEDULE

The following schedule sets forth for each fiscal year of the County ending June 30 the amount of principal of and interest on the 2024 Bonds (rounded to the nearest dollar) payable under the Trust Agreement.

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 0	$ 618,165	$ 618,165
2026	2,180,000	1,246,900	3,426,900
2027	2,245,000	1,136,275	3,381,275
2028	2,310,000	1,022,400	3,332,400
2029	2,375,000	905,275	3,280,275
2030	2,450,000	784,650	3,234,650
2031	1,005,000	698,275	1,703,275
2032	1,005,000	648,025	1,653,025
2033	1,005,000	597,775	1,602,775
2034	1,005,000	547,525	1,552,525
2035	1,005,000	497,275	1,502,275
2036	1,005,000	447,025	1,452,025
2037	1,005,000	396,775	1,401,775
2038	1,005,000	346,525	1,351,525
2039	1,005,000	296,275	1,301,275
2040	1,005,000	246,025	1,251,025
2041	1,005,000	195,775	1,200,775
2042	1,005,000	145,525	1,150,525
2043	1,005,000	100,300	1,105,300
2044	1,005,000	60,100	1,065,100
2045	1,000,000	20,000	1,020,000
Total	$26,630,000	$10,956,865	$37,586,865

CERTAIN RISKS OF 2024 BOND OWNERS

Insufficiency of Payments; Value of Collateral

If the County fails to pay any payments as the same becomes due or if another event of default occurs under the Master Trust Agreement and the First Supplemental Trust Agreement, the Trustee may accelerate the principal of 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 MASTER TRUST AGREEMENT**" in Appendix C hereto. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2024 BONDS ON A DEFAULT OR A NONAPPROPRIATION BY THE COUNTY 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 OF AND INTEREST ON THE 2024 BONDS. SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY

THE COUNTY UNDER THE TRUST AGREEMENT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE TRUST AGREEMENT, INCLUDING FORECLOSURE UNDER THE DEED OF TRUST.

Nonappropriation

The appropriation of moneys to make payments of the principal of and interest on the 2024 Bonds is within the sole discretion of the Board of Commissioners. If an Event of Nonappropriation occurs, 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 Agreement 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 provided in the Deed of Trust 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 from the County's risk management program.

Uninsured or Underinsured Casualty; Loss of Value

If all or any part of the Mortgaged Property is partially or totally damaged or destroyed by any casualty or taken by any governmental authority, the County may apply any Net Proceeds from insurance or condemnation to repair, restore or rebuild the Mortgaged Property or apply the related Net Proceeds to the prepayment of the 2024 Bonds. If the Net Proceeds are not sufficient to repair, restore or rebuild the Mortgaged Property to its condition prior to such damage, destruction or taking or to prepay the 2024 Bonds in full or if the County elects only to make partial efforts to repair, restore or rebuild the Mortgaged Property or to make a partial redemption of the 2024 Bonds, the only other source of payment of the 2024 Bonds will be proceeds of the disposition of the Mortgaged Property, the amount of which may be reduced by the condition of the Mortgaged Property. The Master Trust Agreement requires that certain insurance be maintained with respect to the Mortgaged Property. Such insurance may not, however, cover all perils to which the Mortgaged Property is subject.

Environmental Risks

The site of the Mortgaged Property consists of undeveloped land that was previously part of O.T. Sloan Park. The County is not aware of any environmental contamination on the site of the Mortgaged Property; however, the County will agree under the Deed of Trust to undertake whatever environmental remediation may be required by law. For example, if any portion of the Mortgaged Property became a "Superfund site" under the Comprehensive Environmental Response, Compensation and Liability Act, the federal government may require clean-up and the County may be required to pay all or a part of such clean-up costs. 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.

Limited Value at Foreclosure

The site of the Library Project and the improvements and fixtures located and to be located thereon constitutes the Mortgaged Property and serves as the sole security for the 2024 Bonds. When the County acquired the site of the Library Project in 2007, the County (as a condition of the person providing funds to the County to acquire the site) entered into a Declaration that requires that the site only be used for recreational purposes for a term of 50 years. This declaration of restrictive covenant runs with the title to the site and is binding on all successors in title. In 2024, with the consent of the person imposing such restrictive covenant, the County modified the Declaration to remove the recreational use restriction with respect to the site, but only on the condition that the site be used as a public library without the further consent of such person imposing the restrictive covenant. As such, any future use of the site other than for recreational or library purposes without the consent of such person would not be permitted. Due to these use restrictions with respect to the site of the Library Project, in the event of a default by the County under the Trust Agreement or the Deed of Trust, the number of entities that could be expected to purchase the Mortgaged Property at foreclosure, and the price to be received at a foreclosure sale, would likely be limited. In such case, the amount of funds to be realized from the sale of the Mortgage Property upon foreclosure may be less than the amount required to pay or redeem the 2024 Bonds.

Bankruptcy

Under North Carolina law, a local governmental unit may not file for bankruptcy protection without the consent of the LGC. 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.

Outstanding General Obligation Debt of the County

The County has general obligation bonds outstanding and may issue additional 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 pay the principal of and interest on the 2024 Bonds or to make other payments to be made by the County under the Trust Agreement may be subject to such faith and credit pledge by the County and therefore may be required to be applied to the payment of the County's general obligation indebtedness.

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, beginning 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 fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the County, beginning with the Fiscal Year ended June 30, 2024, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings "**—Debt Information**" and "**—Tax Information**" (excluding any information on underlying units) in Appendix A hereto, to the extent that 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 (10) business days after the occurrence of the event, notice of any of the follow 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 (as defined below) 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 owners of the 2024 Bonds, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the 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 subparagraphs (a) or (b) above on or before the date specified.

For purposes of the continuing disclosure undertaking, "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 Securities Exchange Act of 1934, as amended ("*Rule 15c2-12*").

All information provided to the MSRB as described above is required to be provided 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 requirement 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, had 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 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners of the 2024 Bonds, as determined by the Trustee or Bond Counsel, 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.

In the event that the County makes such a modification, the annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full, of the principal of and interest on all of the 2024 Bonds.

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, sale, execution and delivery of the 2024 Bonds are subject to the approval of Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, 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 Whitney Parrish, Esq., County Attorney, Sanford, North Carolina, and for the Underwriter by Pope Flynn, LLC, Charlotte, North Carolina, counsel to the Underwriter.

TAX TREATMENT

Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing law and assuming continuing compliance by the County with certain covenants to comply with the requirements of the Code, regarding, among other matters, the use, expenditure and investment of the proceeds of the 2024 Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the 2024 Bonds will not be includable in the gross income of the owners thereof for purposes of federal income taxation and will not be a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the 2024 Bonds held by certain corporations will be included in the computation of "adjusted financial statement income" for purposes of the federal alternative minimum tax imposed on such corporations. Furthermore, in the opinion of Bond Counsel, under existing law, interest on the 2024 Bonds will be exempt from all State of North Carolina income taxes.

The Code and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which Bond Counsel renders no opinion, as a result of the ownership or transfer of the 2024 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

Original Issue Premium

The initial public offering prices of the 2024 Bonds maturing on October 1, 2025 to 2043, inclusive (the "*Premium Bonds*"), are greater than the amounts payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, wholesalers or other intermediaries) at which a substantial amount of each maturity of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium. In general, an owner of a Premium Bond must amortize the 2024 Bond premium over the remaining term of the Premium Bond based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Bond). An owner of a Premium Bond must amortize the 2024 Bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the 2024 Bond premium allocable to that period and subtract such bond premium from the owner's tax basis in the Premium Bond. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

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

Other Tax Consequences

Ownership or transfer of, or the accrual or receipt of interest on, the 2024 Bonds may result in collateral federal, State of North Carolina, other state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers who may be eligible for the federal earned income tax credit, and taxpayers subject to franchise, estate, inheritance, gift or capital gains taxes. Owners and prospective purchasers of the 2024 Bonds should consult their tax advisors as to any such possible tax consequences. Except to the extent covered in its legal opinion, Bond Counsel expresses no opinion regarding any such collateral tax consequences.

No assurance can be given that future legislation, including amendments to the code or interpretations thereof, if enacted into law, or certain litigation or judicial decisions, if upheld, will not contain provisions or produce results which could, directly or indirectly, reduce the benefit of the excludability of interest on the 2024 Bonds from gross income for federal income tax purposes.

The Internal Revenue Service (the "*Service*") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2024 Bonds.

Interest paid on tax-exempt obligations, such as the 2024 Bonds, will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest with respect to the 2024 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the 2024 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Service.

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 Trust Agreement or the Deed of Trust by the County.

RELATED PARTIES

Womble Bond Dickinson (US) LLP serves as Bond Counsel for the County and, from time to time they and Pope Flynn, LLC, counsel to the Underwriter, have represented the Underwriter as counsel in other financing transactions. Neither the County nor the Underwriter have conditioned the future employment of any of these firms in connection with any proposed financing issues for the County or for the Underwriter on the successful issuance of the 2024 Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC is acting as Financial Advisor to the County in connection with the sale and issuance of the 2024 Bonds. The Financial Advisor does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the 2024 Bonds or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to the investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

RATINGS

Moody's Investors Service, Inc. and S&P Global 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.

UNDERWRITING

The Underwriter has entered into a Bond Purchase Agreement (the "*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 an original issue premium of $2,719,001.20, and less an underwriter's discount of $98,554.92. The obligation of the Underwriter to pay for the 2024 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriter 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 Underwriter.

The Underwriter and its 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 Underwriter and its affiliates may have certain creditor and/or other rights against the County in connection with such activities.

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

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

MISCELLANEOUS

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

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APPENDIX A

INFORMATION RELATING TO THE COUNTY OF LEE, NORTH CAROLINA

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APPENDIX A

CERTAIN INFORMATION CONCERNING LEE COUNTY, NORTH CAROLINA

General Description

The County lies at the approximate geographic center of the State on the fall line between the piedmont and the coastal plains regions of the State. It is located 25 miles from the resort areas of Southern Pines and Pinehurst and 46 miles southwest of Durham and Raleigh. It lies approximately three hours by car from both the coast and the mountains.

The County contains 255 square miles, having been formed in 1907 from parts of two adjoining counties, and is bounded on the west and north by Chatham County, on the east by Harnett County, on the west by Moore County and on the south by Harnett and Moore Counties.

The County contains two incorporated towns, Sanford, the County seat, with a population of approximately 32,663 and Broadway, with a population of approximately 1,366 people. The County serves as a shopping area and industrial employment area for people within a 25-mile radius.

Demographic Characteristics

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

1990	2000	2010	2020
41,370	49,040	57,866	63,285

The North Carolina Office of State Budget and Management has estimated the population of the County to be as follows (latest data available):

2019	2020	2021	2022
62,488	63,551	64,360	65,648

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

Year	County	State
2018	$39,987	$46,040
2019	42,044	48,366
2020	44,833	51,781
2021	49,392	56,705
2022	49,622	58,109

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

Commerce and Industry

The County is geographically located at the southern base of the Research Triangle Region, which includes the Raleigh-Cary Metropolitan Statistical Area ("MSA") with a 2022 population estimate of 1,484,338 and the Durham-Chapel Hill MSA with a 2022 population estimate of 664,310. The County is officially located within the Fayetteville-Sanford-Lumberton Combined Statistical Area ("CSA"), home of Fort Liberty (formerly Fort Bragg), the United States Army's largest military installation. The Fayetteville-Sanford-Lumberton CSA has a 2022 population estimate of 851,150.

Major industries located within the County's boundaries or in close proximity thereto include manufacturers of pharmaceuticals, construction equipment, automobile components, cosmetics, plumbing fixtures, electronics and bricks. Unemployment hit a high of 16% in April 2020 and has subsequently dropped to 4.5% in June 2024. The County's rate is slightly higher when compared to the State's average non-seasonally adjusted unemployment rate for June 2024 of 4.1%.

The County works with community leadership and organizations such as the City of Sanford, the Town of Broadway and the Sanford Area Growth Alliance ("SAGA") to maintain and expand the County's economic base. SAGA began operations in January 2015 and is a combination of the former Lee County Economic Development Corporation and the Sanford Area Chamber of Commerce. This public/private organization is responsible for retail, commercial and industrial recruitment and retention in the County. As part of a three-year effort by the County's business and elected leaders to develop an economic strategic plan, SAGA was created. The economic strategic plan highlights the County's many strengths to businesses and industries, including the County's strong network of highways, rail lines and airports providing easy access to Fayetteville, Raleigh, Research Triangle Park and the Piedmont Triad region. Other economic strengths include a skilled manufacturing-based workforce, a management and researcher workforce graduating from major universities, including Duke University, the University of North Carolina at Chapel Hill and North Carolina State University and training opportunities offered through Central Carolina Community College.

By capitalizing on these strengths, and successfully executing SAGA's strategic economic development plan, the County has achieved significant new growth in the commercial and industrial sectors in the past seven years, as reflected in tax base growth, increase in retail sales tax collections and increased local payrolls.

The County's 120-year history of manufacturing remains the foundation of its local economy with more than 30% of the workforce in a manufacturing-related occupations. Although a significant pullback in this sector occurred during the Great Recession, local manufacturing has rebounded dramatically. While many lower wage/lower skilled jobs have not returned, the local force has stabilized at just over 26,000. Additionally, the County continues to be a net importer of daily labor from surrounding rural areas due to the concentration of industry within County boundaries. The average weekly wage has grown to $955 per week from $804 per week in 2020.

In the past few years, major economic development announcements have highlighted the impact and effectiveness of the County's strategic economic development efforts. In August 2019, Pfizer, the world's largest pharmaceutical company, announced three projects. First is a major facility expansion on its County campus. The company is nearing completion of a $500 million dollar investment to advance its state-of-the-art gene therapy manufacturing facility at its County campus. At completion, the new operation is expected to add 325 new jobs with an average wage of more than $96,000 per year. Second, Pfizer plans to invest $70 million to upgrade the manufacturing process at its County campus for its vaccine portfolio, including Prevnar 21 and several vaccines in Pfizer's research pipeline. This project is expected to expand Pfizer's vaccine workforce by 200 employees. The average annual wage for these new jobs will be approximately $68,000. Third, Pfizer has purchased a 117,000 square-foot warehouse facility near its existing campus. This off-site logistics facility provides a convenient hub for warehousing and inventory management. Construction of the gene therapy manufacturing facility is complete and undergoing validation by government regulators. In January 2023, Pfizer purchased the assets of Abzena Holdings, LLC located in the County.

In February 2024, Kyowa Kirin, a Japan-based global specialty pharmaceutical company, announced plans to build its first North American pharmaceutical manufacturing operation in the County, expecting to create 102 jobs. The company is expected to invest $200 million in the County.

In March 2022, Service Offsite Solutions, a supplier of offsite homebuilding solutions, announced plans to create 235 new jobs in a County expansion. The company plans to invest $11.8 million to build a new manufacturing facility in the County.

In February 2020, Audentes Therapeutics announced that it would purchase the first shell building located at Central Carolina Enterprise Park. This 117,000 square foot facility has been completed and is undergoing validation by government regulators. Audentes, now part of Japanese life science company Astellas Pharma, has invested approximately $110 million to build out a gene therapy research and production facility with the expectation of employing approximately 200 people at an average annual wage of $83,000. Current employee headcount is approximately 150.

Liberty Tire, a recycled rubber products manufacturer, purchased and upfitted a 117,000 square foot building in Central Carolina Enterprise Park for a rubberized mulch manufacturing and packaging facility. The company invested approximately $17 million in real estate and equipment and expects to employ approximately 75 people.

Expansions of existing local industry and strong retail growth have also bolstered the County's economic development success. Moen, Zurn, STI Polymer, Challenge Printing, Orbital Solar Construction and PCC Airfoils have all added employee headcount.

Caterpillar, the County's largest employer, recently leased an additional 350,000 square foot building for a logistics and pre-assembly platform. The company employs just over 1,700 people working multiple shifts. Fifteen models of CAT's popular skid steer loaders are shipped worldwide from the Sanford facility. Coty USA's Sanford facility continues to add headcount in its warehouse distribution facility. Pentair is adding a 38,000 square foot expansion to their 250,000 square foot facility.

Closings at GKN (June 2020) and Magneti Marelli (December 2020), resulting in the loss of about 430 jobs, have not been a long-term disruption to the local economy. Bharat Forge was able to re-employ most of that workforce for service in its newly completed factory. The County completed the purchase of the vacated Marelli manufacturing facility and has leased it to Central Carolina Community College for an industry training platform. With more than 20 acres and nearly 300,000 square feet of existing facilities, the campus is slated to become a premier regional workforce development asset in support of the County's (and the region's) rapidly growing life sciences and advanced manufacturing sectors, especially the VinFast project in neighboring Chatham County.

As indicated by strong retail sales numbers, the County's small business ecosystem has remained stable. The nine-block Central Business District in Sanford has no available street front buildings for sale or lease. National chains Sheetz, Popeyes, Biscuitville and Starbucks have active projects or have recently opened new stores. Regional retail chains in the food and beverage sector, tire and auto and discount retail have opened new locations.

East Coast Hospitality, the operator of 15 hotel properties in North Carolina, is in the process of constructing a Fairfield Inn and Suites on US Highway 1 Expressway. The new hotel will have 125 rooms and will bring overnight accommodation space to a total of 450 Class A hotel rooms in the County. Additionally, a Home2 Suites recently broke ground on a 108-room suite hotel.

The following table includes the largest manufacturing and non-manufacturing employers in the County:

Company/Institution	Product/Service	Approximate Number of Employees
Caterpillar Inc.	Manufacturing	1,000+
Lee County Schools	Educational Services	1,000+
Pilgrim's Pride Corporation	Manufacturing	1,000+
Central Carolina Community College	Educational Services	500-999
County of Lee	Public Administration	500-999
Pentair Water Pool & Spa Inc.	Manufacturing	500-999
Tyson Mexican Original Inc.	Manufacturing	250-499
Wal-Mart Associates Inc.	Retail Trade	250-499
Frontier Yarns Inc.	Manufacturing	250-499
City of Sanford	Public Administration	250-499
Coty LLC	Manufacturing	250-499
Liberty Healthcare Group LLC	Health Care and Social Assistance	250-499
Pfizer Inc.	Professional, Scientific and Technical	250-499
Central Carolina Hospital	Health Care and Social Assistance	250-499
Kelly Services Inc.	Administrative and Support Services	250-499

Source: North Carolina Department of Commerce (Q4 2023).

Construction activity in the County for the past five calendar years and the current calendar year is shown in the following table indicating the number and value of building permits:

	Commercial		Residential		
Year	Number	Value	Number	Value	Total Value
2019	120	$ 55,791,355	507	$43,278,172	$ 99,069,527
2020	234	136,287,623	584	55,892,525	192,180,149
2021	184	152,346,640	735	74,288,682	226,635,322
2022	152	117,891,541	754	76,434,996	194,326,538
2023	128	105,261,130	1,039	123,257,009	228,518,139
2024[1]	99	74,161,235	579	75,741,260	149,902,495

[1] Through July 11, 2024.

Taxable sales in the County for the past five fiscal years are shown in the following table:

Fiscal Year Ended June 30	Total Taxable Sales	Increase (Decrease) Over Previous Year
2020	$ 879,657,369	2.9%
2021	1,072,243,126	21.9
2022	1,184,846,722	10.5
2023	1,275,732,641	7.7
2024[1]	1,348,806,527	5.4

[1] Preliminary; subject to rounding.
Source: North Carolina Department of Revenue, Sales and Use Tax Division.

Employment

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

	2019	2020	2021	2022	2023	2024
January	5.0%	4.1%	6.6%	4.5%	4.3%	4.3%
February	4.6	4.0	6.2	4.4	4.1	4.2
March	4.5	5.1*	5.8	4.0	3.9	4.2
April	4.0	16.0*	5.6	3.7	3.4	3.7
May	4.5	12.9	5.8	4.0	3.8	3.9
June	4.8	10.9	6.3	4.4	4.1	4.5
July	4.8	10.1	5.8	4.5	4.2	N/A
August	4.8	7.3	5.6	4.9	4.3	N/A
September	4.0	6.8	4.8	4.0	3.8	
October	4.1	6.0	5.1	4.3	4.1	
November	4.1	6.0	4.6	4.1	4.0	
December	3.8	6.1	3.9	3.7	3.9	

*Onset of the COVID-19 Pandemic.
Source: North Carolina Department of Commerce, Division of Labor and Economic Analysis.

Government and Major Services

GOVERNMENT STRUCTURE

The County is governed by a Board of Commissioners (the “Board”) consisting of seven members, with three elected at large and four elected from districts on a partisan basis. All commissioners serve four-year staggered terms.

The major duties of the Board include enacting local ordinances, adopting policies concerning the operation of the County, adopting an annual balanced budget, establishing an annual property tax rate and establishing new programs and departments. The Board appoints members to boards and commissions and some County employees. The Board has the authority to call bond referenda and enter into contracts.

The Board appoints several officials to help carry out its responsibilities, including a County Manager, a County Attorney and a Clerk to the Board.

The County Manager is the chief administrative officer of the County. The major duties of the Manager include supervising and coordinating the activities of the County departments and executing all orders and policies set forth by the Board. The County Manager makes recommendations on appropriate matters of business, advises the Board regarding the financial condition of the County and performs other duties assigned by the Board.

EDUCATION

The County is served by the Lee County Public School System (the "System"). The System is governed by a seven-member elected Board of Education, which appoints a superintendent as the administrative head. The System is comprised of 17 schools, including eight K-5 schools, three middle schools, two senior high schools, two alternative schools, one special school and Lee Early College.

State law provides for a basic minimum education program for each school system. The minimum program provides funds for operational costs only, so the Board of Education must depend upon the Board for funds for educational facilities and for supplemental operating funds.

The County appropriated $20,134,024 to the Board of Education in fiscal year 2023-24 to supplement the operations of the System, as well as $1,347,500 for capital outlay and $785,000 for a nonrecurring capital purchase. The total operating budget for the System for fiscal year 2023-2024 was $116,461,747. The Board of Education submits its current expense and capital outlay budget requests to the Board no later than May 15 of each year.

The following table shows the Average Daily Membership for the 17 schools in the County School System:

School Year	Grades K-5 ADM	Grades 6-8 ADM	Grades 9-12 ADM	Total Students ADM
2019-20	4,552	2,310	2,928	9,800
2020-21	4,171	2,160	2,805	9,159
2021-22	4,046	2,159	2,843	9,072
2022-23	4,039	1,978	3,049	9,066
2023-24	4,250	1,928	2,839	9,017

Note: ADM or Average Daily Membership, determined by actual records at the schools, is computed by the North Carolina Department of Public Education on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments.
Source: North Carolina Department of Public Instruction, Lee County Public Schools.

Central Carolina Community College ("CCCC"), located in the County and part of the North Carolina Community College System, provides trade, technical and general education programs. It offers training for employees in new industries. CCCC also offers assistance to people beginning a small business through its small business center.

CCCC has been accredited by the Southern Association of Colleges and Schools since 1972. During fiscal year 2023-24, CCCC received $50,650,536 in State and federal funds and $4,733,822 from the County for current operations of its facilities.

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 their respective local street systems. The County has no responsibility for the construction or maintenance of streets or highways.

The County is served by U.S. Highways 1, 15, 501 and 421 and N.C. Highways 87, 78 and 42. Railway service is provided to the County by CSX Transportation, Norfolk-Southern Railroad and the Atlantic and Western Railroad.

In 1992, the County and the City of Sanford formed the Sanford-Lee County Regional Airport Authority, a joint airport authority which owns and operates the Sanford-Lee County Regional Airport (the "Authority"). The governing boards of the County and the City of Sanford each appoint three members to the Authority, who serve at the pleasure of their respective governing boards. The Sanford City Manager, the County Manager and the County Economic Developer also serve on the Authority board. The airport opened in 2000 with a 6,500-foot runway and parallel taxiway, terminal building, full instrument landing system, an all-weather observation system, 49 nested T-hangers and a fixed base operator. The airport was constructed at a cost of approximately $14 million, with local matching funds of approximately 4%. The airport has grown every year since its opening and now boasts nearly 100 nested T-hangars owned by the Authority, eight privately owned hangars, six aviation-related businesses and over 150 planes, all based at the airport. The Authority also owns a large hangar and office building that is leased to the North Carolina Forest Service. In addition, the airport is home to the Wings of Carolina Flying Club, the oldest and largest flying club on the east coast with over 420 members.

HUMAN SERVICES

Public Health

The Board has established a Health Department and, effective July 12, 2023, appointed a Consolidated Human Services Agency ("CHSA") Board to oversee both its Health Department's and the Social Services Department's operations. The federal, State and County governments fund the Health Department's programs. In fiscal year 2023-24, the County appropriated $5,121,429 to the Health Department. In fiscal year 2024-25, the County has budgeted appropriations of $5,425,383 to the Health Department.

Services provided by the Health Department include its Health Promotion Programs comprising of various health screenings, health education and medical nutritional therapy; Child Health Clinics for early detection of diseases and well-baby care; Communicable Disease counseling and treatment; School Health Services; Lee Primary Care; Family Planning Clinic; Immunization and Flu Clinic; Maternity Clinic; and Women, Infant and Children (WIC) Supplemental Nutrition program, which provides nutrition education and supplemental foods to promote healthy development during pregnancy and in early childhood. Home visiting programs are also provided to newborns and post-partum women, to children at risk for developmental delays and to women at risk for pregnancy complications due to medical or psychosocial problems.

In addition, the Health Department is responsible for the County's Animal Control, Environmental Health and Public Health Preparedness services. Animal Control oversees the health and well-being of animals within the County's shelter. Environmental Health provides citizens of the County with a safer and cleaner environment through education and regulation to prevent the contamination of food, water, air and land. Environmental Health also inspects and issues permits to food and lodging facilities, waste water treatment systems and private drinking wells. Public Health Preparedness protects the County's citizens by developing and continuously updating plans to mitigate the effect of a public health event such as a pandemic or bioterrorism.

Social Services

The County has a State-supervised, county-administered social services system in North Carolina. As described above, the County established a CHSA Board that oversees both its Health and Social Services Departments. The new CHSA is similarly funded through a combination of federal, State and County funds. In fiscal year 2023-24, the County appropriated $4,162,087 to the Social Services Department, which had a $10,624,582 budget. In fiscal year 2024-25, the County has budgeted appropriations of $4,191,261 to the Social Services Department with a total budget of $11,251,105.

The County provides financial assistance through the Temporary Assistance for Needy Families Program also known as the Work First Family Assistance and also participates in the Adult Services, Children's Services, Child Support, Food and Nutrition Services, Medical Assistance/Medicaid and Child Care Subsidy programs.

Mental Health Services

The County, in conjunction with eight other county governments (Bladen, Brunswick, Columbus, Hoke, Moore, New Hanover, Robeson and Scotland), participates in the Southern Region of Trillium Health Resources ("Trillium"), effective January 1, 2024. Trillium provides services to residents of each of the participating counties who are in need of assistance for mental health issues, developmental disabilities, or alcohol or drug-related problems. The County formerly partnered with The Sandhills Center until December 31, 2023 for these services. Each participating government appoints two members to the Region's Advisory Board, one of which must be a commissioner of such county. Members of the three Regional Advisory Boards form the Trillium Governing Board. In fiscal year 2023-24, the County appropriated $240,000 to the operation of Trillium. In fiscal year 2024-25, the County has also budgeted appropriations of $240,000.

HOSPITAL AND MEDICAL FACILITIES

The County is served by Central Carolina Hospital, a 137-bed acute care hospital that is owned by Duke LifePoint. With over 120 physicians, the hospital offers a wide range of specialties including cardiology, orthopedics, general surgery, obstetrics, gynecology, otolaryngology, emergency medicine, emergency medical services, gastroenterology, pediatrics, hospitalist services, internal medicine, nephrology, neurology, hematology, urology, podiatry, dentistry, pulmonary medicine, wound care and hyperbaric medicine. Hospital services include emergency room, physical and occupational therapy, ophthalmology, cardiac rehabilitation, diagnostic imaging and radiology, inpatient and outpatient surgery, dialysis, maternity services, nutritional counseling by clinical dietitians and diagnostic cardiac catheterization. Central Carolina Hospital was reaccredited by the Joint Commission for a three-year period in November 2021. The County provides no financial support for the hospital. The County contracts with FirstHealth of the Carolinas for EMS services.

PUBLIC SERVICE ENTERPRISES

The County operates six solid waste/recycling convenience centers for residents of the unincorporated areas of the County. In addition to putrescible garbage and large bulky waste, each center accepts various recyclable materials. Waste is transported to a local transfer station owned and operated by a private operator prior to being disposed of at the Sampson County Disposal's landfill in Roseboro, North Carolina.

In addition to its convenience centers, the County operates a yard waste facility which accepts approximately 350 tons of vegetative materials annually. The yard waste is ground into mulch and given to the public for landscaping uses.

In fiscal year 1990-91, the County began funding solid waste operations through tipping fees and household collection fees for non-municipal households. A solid waste enterprise fund was established and has a fund balance to pay for future needs. In fiscal year 2024-25, this fund has an operational budget of $2,745,068.

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 net debt in the approximate amount of $669,198,864 as of June 30, 2024.

Outstanding General Obligation Debt

GENERAL OBLIGATION BONDS

General Obligation Bonds	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
Community College	$18,400,000	$17,250,000	$16,100,000	$14,950,000
Parks and Recreation	0	0	0	25,000,000
Total	$18,400,000	$17,250,000	$16,100,000	$39,950,000

GENERAL OBLIGATION DEBT RATIOS

At June 30	Total GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population[1]	Total GO Debt Per Capita
2019	$20,700,000	$5,540,454,530	.37%	62,488	$331.26
2020	19,550,000	5,963,586,827	.33	63,396	308.38
2021	18,400,000	6,169,114,912	.30	64,068	287.19
2022	17,250,000	6,581,878,547	.26	65,648[2]	262.77
2023	16,100,000	6,773,706,085	.24	65,648[2]	245.25
2024	39,950,000	8,864,360,800[3]	.45	65,648[2]	608.55

[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 BONDS AUTHORIZED AND UNISSUED

The County does not have any authorized and unissued general obligation bonds.

GENERAL OBLIGATION DEBT INFORMATION FOR UNDERLYING UNITS AS OF JUNE 30, 2024

Unit	2022[1] Population	Assessed Valuation[2]	Tax Rate Per $100[2]	Total GO Debt	Total GO Debt Per Capita
Broadway	1,330	$ 108,281,512	$0.53	-	-
Sanford	31,596	3,168,091,731	0.62	$5,950,000	$188.31

[1] Estimates of North Carolina Office of State Budget and Management as of July 1, 2022.
[2] Rates and assessed valuation are for the fiscal year ended June 30, 2023.

OTHER LONG TERM COMMITMENTS

The County has issued two certificates of participation for the purpose of refunding certificates of participation previously issued to finance various public improvements. The County has also entered into four installment financing agreements for the purposes of financing various public school improvements and acquisition of office space for the County. The County has also issued three series of limited obligation bonds for public school, community college and parks and recreation improvements. Payments due under all of these financing arrangements are subject to annual appropriation and are paid from general fund revenues of the County. The following table sets forth the annual payments due under these financing arrangements. Such table does not include County lease obligations that are now required to be treated as financing leases under GASB 87.

Fiscal Year	Principal	Interest
2024-25	$ 10,929,314	$ 4,035,515
2025-26	9,137,250	3,613,089
2026-27	8,166,000	3,308,058
2027-28	8,121,000	3,003,216
2028-29	6,046,000	2,721,998
2029-30	6,046,000	2,478,005
2030-31	5,221,000	2,234,924
2031-32	5,221,000	2,000,341
2032-33	5,221,000	1,799,959
2033-34	5,221,000	1,597,438
2034-35	5,221,000	1,362,855
2035-36	5,221,000	1,158,197
2036-37	5,221,000	940,714
2037-38	4,071,000	721,794
2038-39	2,356,000	555,874
2039-40	2,356,000	454,041
2040-41	2,356,000	352,208
2041-42	2,356,000	249,469
2042-43	2,355,000	146,730
2043-44	1,975,000	44,031
Total	$102,817,564	$32,778,454

DEBT OUTLOOK

The County is considering funding a new joint maintenance facility with Lee County Schools in the spring of 2026 at an estimated cost of $11.9 million, as well as a storage facility that will also house the County's COLTS transportation department for $6.5 million. Once the library being replaced by the Library Project has been vacated, the County is considering funding $5 million in estimated renovations to repurpose the building for additional office space. These projects are expected to be funded through installment financing agreements or limited obligation bonds. In addition, the County has agreed to assist in the renovation of the CCCC main building and the new E. Eugene Moore Manufacturing and Biotech Solutions Center. This project is expected to be funded through an approximately $5.9 million installment financing in early 2025.

Tax Information

GENERAL INFORMATION

	Fiscal Year Ended or Ending June 30,			
	2022	2023	2024[4]	2025[5]
Assessed Valuation:				
Assessment Ratio[1]	100%	100%	100%	100%
Real Property	$4,402,534,599	$4,420,733,131	$6,227,428,195	$6,912,925,000
Personal Property	2,033,559,902	2,204,358,057	2,473,163,636	2,405,162,000
Public Service Companies[2]	145,784,046	148,614,897	163,768,969	150,000,000
Total Assessed Valuation[3]	$6,581,878,547	$6,773,706,085	$8,864,360,800	$9,468,087,000
Rate per $100	0.76	0.73	0.65	0.65
Levy	$ 50,022,277	$ 49,448,054	$ 57,618,345	$ 61,542,566

[1] Percentage of assessed value has been established by state statute.
[2] Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.
[3] Excludes tax-exempt property. Revaluation of real property became effective with the 2023 tax levy. The next revaluation will become effective with the 2027 tax levy.
[4] Unaudited.
[5] Estimated.

In addition to the County-wide levy shown, the following table lists the levies by the County on behalf of special fire districts for the fiscal years ended or ending June 30:

	2022	2023	2024	2025[1]
County-Wide	$50,022,277	$49,448,054	$57,618,345	$61,542,566
Special Fire Districts	3,650,989	3,870,824	4,374,952	5,244,354
Total	$53,673,266	$53,318,878	$61,993,297	$66,786,920

[1] Estimated.

TAX COLLECTIONS

Fiscal Year Ended June 30,	Prior Years' Levy Collected	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2020	$460,212	$45,683,518	98.7%
2021	513,484	47,435,805	99.1
2022	399,142	49,786,804	99.3
2023	319,851	50,330,102	99.4
2024	569,622	55,896,939	99.4

TEN LARGEST TAXPAYERS FOR FISCAL YEAR 2023-24

Name	Type of Business	Assessed Valuation	County Tax Levy
Pfizer Inc.	Pharmaceutical Manufacturing	$735,069,273	$4,777,950
Astellas FKA Audentes	Gene Therapy	179,131,658	1,164,356
Donald R. Simpson	Real Estate	110,867,778	720,641
Caterpillar	Skid Steer Loaders	101,298,896	658,443
Bharat Forge	Automotive Components	100,794,504	655,164
Frontier Yarns Inc.	Yarn Spinning Mills	99,277,810	645,306
Coty	Cosmetic Manufacturing	88,683,580	576,443
Pilgrim's Pride	Poultry Processing	85,506,704	555,794
Duke Energy	Utilities	79,184,183	514,697
South Park Village LLC	Real Estate	42,060,995	273,557

2023-24 Budget Commentary

The Board adopted an original budget ordinance for all funds of $118,902,327 for the fiscal year ended June 30, 2024. The adopted General Fund budget totaled $104,838,073. The appropriated fund balance in the General Fund was budgeted at $3,000,000. The fiscal year 2023-24 budget was based on an overall increase in the tax base of 32.65% from fiscal year 2022-23 with an estimated valuation of $8,864,360,800. The County's tax rate decreased from $0.73 per $100 dollars assessed valuation to $0.65 per $100 dollars assessed valuation. The fiscal year 2023-24 budget included a growth of $4,030,276 in sales tax collections over the estimated collections for fiscal year 2022-23, or 17.38% above what was budgeted for fiscal year 2022-23.

For the fiscal year ended June 30, 2024, the County had collected 106.55% or $61,384,308 (unaudited) of its ad valorem tax budget for fiscal year 2023-24. Total revenues, excluding transfers, totaled $95,347,683 (unaudited) as of June 30, 2024 and represented 91.93% of the revised General Fund budget. The County did not utilize appropriated fund balance as originally budgeted. General Fund expenditures, excluding transfers, equaled $94,817,172 (unaudited) as of June 30, 2024 and represented 88.73% of the total revised General Fund budget.

2024-25 Budget Outlook

The fiscal year 2024-25 General Fund budget is based on an overall increase in the tax base of 6.81% from fiscal year 2023-24 with an estimated total assessed valuation of $9,468,087,000. The fiscal year 2024-25 General Fund budget incorporates the 2023 tax revaluation which saw significant increases of value across all sectors. Real property, net of deferred taxes, is estimated to increase $685.5 million or 11.01% to $6.912 billion. Motor vehicles and other taxable personal property is estimated to decrease

$68 million, or 2.75%, to $2,405,162,000. Public service companies reflect an estimated decrease of $13.77 million, almost 8.41% to $150,000,000. The County's tax rate remained the same at $0.650 per $100 of value. Total current and delinquent tax collections of $61,501,965 are budgeted for 2025. The General Fund budget was prepared with the assumption that the tax department will continue to collect 99% of the levy (excluding registered motor vehicles). The fiscal year 2024-25 budget includes a growth of 2% in sales tax collections over the estimated collections for fiscal year 2023-24.

Total budgeted expenditures and transfers to other funds in the General Fund increases 7.72% for a total of $112,927,338. The fiscal year 2024-25 General Fund budget includes funding for a 3.7% cost of living adjustment for employees. Current expense and capital outlay funding to the Lee County Public School System and to CCCC were increased 4.9% in fiscal year 2024-25. Lee County Public School System funding totals $24,187,024 in fiscal year 2024-25, and funding to CCCC totals $4,983,675 in fiscal year 2024-25.

Pension Plans

The County participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina.

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

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, was 12.92% of eligible payroll for general employees and 14.04% of eligible payroll for law enforcement officers for fiscal year 2023-24. The normal contribution rate, uniform for all employers, is 13.60% of eligible payroll for general employees and 15.10% of eligible payroll for law enforcement officers for fiscal year 2024-25. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the System.

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

Contributions to the System are determined on an actuarial basis.

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

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

Law Enforcement Officers' Special Separation Allowance. 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 sworn law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

As of June 30, 2024, the County reported a total pension liability of $2,528,460. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was rolled forward to December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the fiscal year ended June 30, 2024, the County recognized pension expense of $322,672.

Supplemental Retirement Income Plan for Law Enforcement Officers. The County contributes to the Supplemental Retirement Income Plan (the "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.

A State statute requires the County to contribute each month an amount equal to 5% of each officer's salary. All amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the Plan. Contributions for the fiscal year ended June 30, 2024 were $321,940, which consisted of $280,654 from the County and $41,286 from the law enforcement officers.

Register of Deeds' Supplemental Pension Fund. The County contributes to the Registers of Deeds' Supplemental Pension Fund (the "Fund"), a defined contribution plan administered by the Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible County register of deeds that is retired under the System or an equivalent locally-sponsored plan.

A State statute requires the County to remit, on a monthly basis, to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected by the County's register of deeds office, which is deposited to the Fund. For the fiscal year ended June 30, 2024, the County's required and actual contributions were $5,582.

Other Post-Employment Benefits

According to County resolution, the County administers a single-employer defined benefit plan, which provides healthcare benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS). Non-Medicare eligible retirees can choose between an HSA plan where the County covers the full cost of the premium and a PPO plan where the retiree pays a small portion of the premium. Medicare eligible retirees are provided a Medicare supplement program that is fully funded by the County. The Board modified the requirements of the plan on April 4, 2022. For employees hired prior to April 4, 2022, the employee must be age 55 or older and have 20 years of creditable service with the System, or the employee can be any age with 30 years of creditable service with the System and the employee must have at least 15 years of continuous County employment. Employees hired after April 4, 2022 must be age 60 or older and have creditable years of service with the System where the age plus the number of years of service equal a minimum of 85 and employee must have at least 20 years of continuous County employment. The Board of Commissioners may amend the benefit provisions.

The County has also elected to provide certain death benefits for employees who die in active service after one year of contributing membership in the System or who die within 180 days after retirement or termination of service.

The County's total OPEB liability of $19,879,186 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

Cybersecurity

The County, like other public and private entities, 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. These threats could result in adverse consequences to the County, including but not limited to, operational disruption and misappropriation of assets or information. The County has implemented multiple operational safeguards and cybersecurity procedures, including multi-factor authentication across various applications, and continues to build upon this implementation. While the County follows and implements cybersecurity policies and procedures based upon common security frameworks, as with any organization that utilizes a computer network with attachment to the Internet, no assurance can be given that such measures will protect against, or mitigate the impact of, the financial or operational damages that could result from a cybersecurity attack.

Climate Change

The County is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes, which could result in negative economic impacts. 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.

Contingent Liabilities

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

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APPENDIX B

FINANCIAL STATEMENTS OF THE COUNTY OF LEE, NORTH CAROLINA

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LEE COUNTY, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of Lee County, we offer readers of Lee 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.

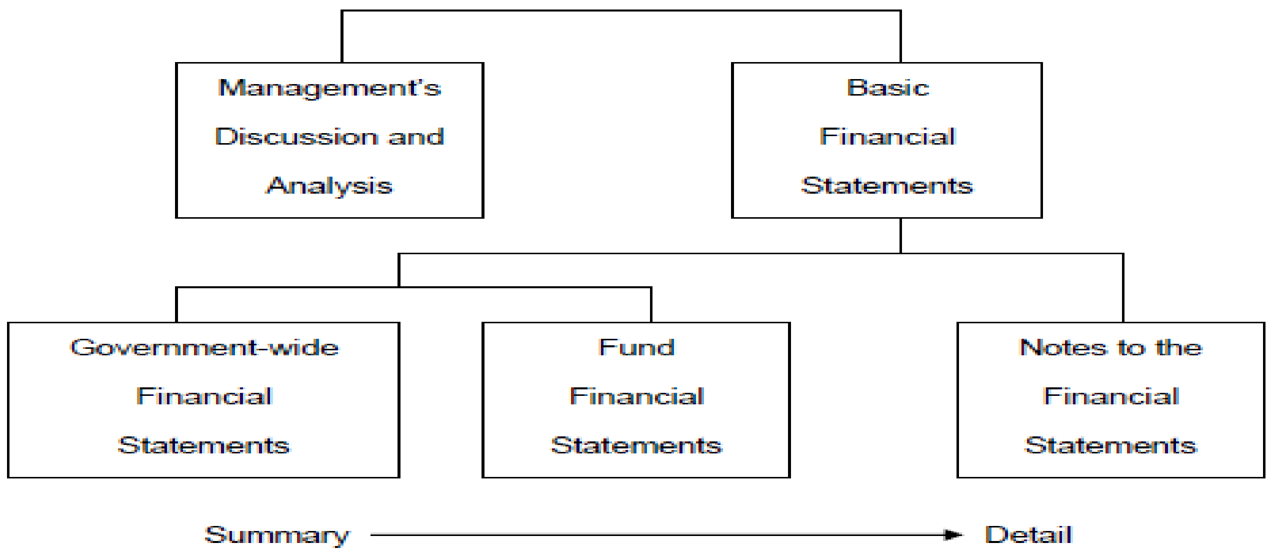
Financial Highlights

- The liabilities and deferred inflows of resources of Lee County exceeded its assets and deferred outflows of resources at the close of the fiscal year by ($880,052) *(net position)*. In accordance with North Carolina law, liabilities of the County include approximately $60.2 million in long-term debt associated with assets belonging to the Lee County Board of Education and Central Carolina Community College. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reflected in the County's financial statements, the County reports a net deficit in net position.
- The total net position of governmental activities was a deficit $2,368,929, a decrease of $24,070,760 from the prior year's deficit amount of $26,439,689. The decrease is due to an increase in operating grants and contributions, interest earnings, sales and services, ad valorem taxes, and local option sales tax for the governmental activities.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $56,419,807, an increase of $9,597,194 from the prior year. Approximately 39.17 percent of this total amount or $22,101,467 is restricted. The General Fund total ending fund balance of $42,438,201 includes $24,747,217 million of unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $24,747,217 or 28.92 percent of total General Fund expenditures and transfers out for the fiscal year less installment and lease proceeds.
- The County maintained its Aa2 bond rating from Moody's Investor Services and its AA bond rating from Standard & Poor's.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lee 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 Lee County.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the County's general fund and the non-major governmental funds, which are added together in one column on the basic financial statements. Budgetary information required by North Carolina General Statutes also can be found in this part of the statements.

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

Government-wide Financial Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition. Overtime, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, parks and recreation, human services, and general administration. Property taxes and 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 water and sewer and landfill services offered by Lee County.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between 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.

Lee County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board 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 Statement of Revenues, Expenditures and Changes in Fund Balance.

The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Enterprise Fund is the only proprietary type fund that the County utilizes. *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 water and sewer activity and for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County has six fiduciary funds: the Brown Bequest Trust Fund, and five custodial funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its employees. Required supplemental information can be found on page 75 of this report.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial condition. The following figure depicts the County's net position for fiscal year 2023 and provides comparative data from fiscal year 2022.

LEE COUNTY'S NET POSITION
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 66,413,811	$ 55,431,448	$ 1,063,674	$ 806,330	$ 67,477,485	$ 56,237,778
Capital assets	55,185,097	48,854,828	943,896	998,209	56,128,993	49,853,037
Total assets	121,598,908	104,286,276	2,007,570	1,804,539	123,606,478	106,090,815
Total deferred outflows of resources	15,330,804	13,246,551	170,398	142,221	15,501,202	13,388,772
Long-term liabilities outstanding	102,731,230	110,086,255	373,007	756,582	103,104,237	110,842,837
Other liabilities	19,384,331	25,865,309	145,461	79,933	19,529,792	25,945,242
Total liabilities	122,115,561	135,951,564	518,468	836,515	122,634,029	136,788,079
Total deferred inflows of resources	17,183,080	8,020,952	170,623	81,037	17,353,703	8,101,989
Net position:						
Net investment in capital assets	40,559,736	30,225,186	943,896	998,209	41,503,632	31,223,395
Restricted	20,539,604	17,340,006	-	-	20,539,604	17,340,006
Unrestricted	(63,468,269)	(74,004,881)	544,981	30,999	(62,923,288)	(73,973,882)
Total net position	$ (2,368,929)	$ (26,439,689)	$ 1,488,877	$ 1,029,208	$ (880,052)	$ (25,410,481)

The liabilities and deferred inflows of resources of Lee County exceed assets and deferred outflow of resources by ($880,052) at the close of the most recent fiscal year. The County's net position increased by $24,530,429 for the fiscal year ended June 30, 2023. One of the largest portions of net position, $41,503,632, reflects the County's net investment in capital assets (e.g. land, buildings, machinery and equipment). Lee County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lee County's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the County's net position, $20,539,604 represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of $62,923,288 is unrestricted.

As with many counties in the State of North Carolina, the County's Governmental Activities deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the Lee County Board of Education (the "schools") and Central Carolina Community College (the "community college"). Under North Carolina law, the County is responsible for providing capital funding for the school and community college systems. The County has chosen to meet its legal obligation to provide the systems capital funding by using a mixture of County funds, general obligation debt, and installment financings. The assets funded by the County; however, are titled to, and utilized by the school and community college systems. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. As of June 30, 2023, approximately $60.2 million of the outstanding debt on the County's financial statement was related to assets included in the school and community college systems' financial statements.

The impact of the inclusion of the school system and community college debt without the corresponding assets was offset by the following positive factors:

- Continued diligence in the collection of current year property taxes by maintaining a collection percentage of 99.19 percent for real and personal property and 100.00 percent for motor vehicles.
- Continued low cost of debt due to the County's high bond ratings.
- Continued accumulation of funds into the Capital Projects Outlay Fund. Accumulated funds will be used to fund current and future capital projects.
- An increase in sales tax revenue.

LEE COUNTY'S CHANGE IN NET POSITION
FIGURE 3

	Governmental Activities		Business-type Activities		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Revenues:						
Program revenues:						
Charges for services	$ 3,749,873	$ 3,916,381	$ 1,803,950	$ 1,661,829	$ 5,553,823	$ 5,578,210
Operating grants and contributions	17,269,518	10,182,833	-	-	17,269,518	10,182,833
Capital grants and contributions	201,515	34,026	-	-	201,515	34,026
General revenues:						
Property taxes	55,448,938	54,411,853	-	-	55,448,938	54,411,853
Other taxes	25,085,009	23,327,320	-	-	25,085,009	23,327,320
Grants and contributions not restricted to specific programs	366,499	437,297	187,100	172,294	553,599	609,591
Investment earnings	1,589,082	106,286	28,394	1,538	1,617,476	107,824
Miscellaneous	1,061,819	697,381		-	1,061,819	697,381
Gain (Loss) on disposal of assets	-	-	(649)	(4,821)	(649)	(4,821)
Total revenues	104,772,252	93,113,377	2,018,795	1,830,840	106,791,047	94,944,217
Expenses:						
General government	12,618,145	9,585,064	-	-	12,618,145	9,585,064
Public safety	18,180,161	16,380,118	-	-	18,180,161	16,380,118
Economic and physical development	4,195,184	3,697,977	-	-	4,195,184	3,697,977
Human services	16,109,377	15,290,545	-	-	16,109,377	15,290,545
Cultural and recreation	1,236,716	3,067,583	-	-	1,236,716	3,067,583
Education	26,065,301	24,369,974	-	-	26,065,301	24,369,974
Interest on long-term debt	2,296,608	2,549,037	-	-	2,296,608	2,549,037
Landfill	-	-	1,885,875	1,791,437	1,885,875	1,791,437
Total expenses	80,701,492	74,940,298	1,885,875	1,791,437	82,587,367	76,731,735
Increase in net position before transfers and special items	24,070,760	18,173,079	132,920	39,403	24,203,680	18,212,482
Special item	-	-	326,749	-	326,749	-
Change in net position	24,070,760	18,173,079	459,669	39,403	24,530,429	18,212,482
Net position, beginning, restated	(26,439,689)	(44,612,768)	1,029,208	989,805	(25,410,481)	(43,622,963)
Net position, ending	$ (2,368,929)	$ (26,439,689)	$ 1,488,877	$ 1,029,208	$ (880,052)	$ (25,410,481)

Governmental Activities. Governmental activities increased the County’s net position by $24,070,760. Key factors that contribute to the increase are as follows:

- Operating grants increased by $7,086.685. This increase is due to the use of ARPA revenue loss funding for salaries in Public Safety.
- Property tax revenues increased $1,037,085 or 1.91 percent due to growth.
- The County saw an increase of $2,057,054 or 9.54 percent in local option sales tax revenue. Part of this increase is due to the inflation that is being seen across the Country.

Business-type Activities. Business-type activities increased the County's net position by $132,920 (excluding the special item). The key factors in the increase are as follows:

- Implementation of a decal program to reduce the use of convenience centers by non-County residents
- Decreased Waste

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demostrate 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 $29,172,494, while total fund balance reached $42,438,201 an increase of 15.99 percent. The increase in the County's fund balance can be contributed to many areas. The tax collection percentage of the County and tax base growth contributed to the growth of the County's fund balance. For 2023, the County's tax collection rate increased from 99.27 percent to 99.28 percent. The County's tax base increased 5.24 percent over the previous year. The revenue from the receipt of sales tax increased 9.54 percent. Much of the increase is contributed to ongoing construction in the County and inflation. Additionally, this increase can be attributed to increased investment earnings, the inability to fill vacant positions, as well as continued conservative spending by County departments. This resulted in General Fund expenditures being $10,285,182 under budget. The Board of Commissioners of Lee County has adopted a set of financial policies that states the County will maintain as a floor an available fund balance equal to 24 percent of the General Fund expenditures at the end of each fiscal year; however, the County will strive to reach a target of 32 percent. The County currently has an available fund balance of 34.10 percent of General Fund expenditures and transfers to other funds less installment and lease proceeds, while total fund balance represents 49.60 percent of that same amount.

At June 30, 2023, the governmental funds of the County reported a combined fund balance of $56,419,807, a $9,597,194 increase from the prior year. While the General Fund fund balance increased $5,850,400 for reasons detailed previously, the other governmental funds saw an increase of $3,746,794. The majority of this increase is due to the contribution of $2,820,387 to the capital reserve fund from the general fund in accordance with our financial policy resolution to provide equity resources for our capital improvement plan.

Fund balance for the Multi-sports Complex Project Fund decreased by $1,679,856 reflecting the expenditure of funds for the land and initial design work for the multi-sports complex.

American Rescue Plan Fund revenues represents grant reimbursements recognized as revenue during the year. An additional $3.1 million has been received but not earned as of June 30, 2023.

General Fund Budgetary Highlights. During the fiscal year, the County revised the budget on several occasions. Generally, the 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's increased appropriations by $6,140,921.

Major budget increases during the year include:

- Funding for the addition of the multipurpose room at the new Library – $2,000,000.
- Funding for pass through grant funds from the State - $800,000.
- Funding for renovations to the Bob Hales Center - $416,000.
- Funding from the State for Health Department expenses related to COVID - $530,567.
- The remaining budget adjustments were for various amounts and across all functional areas of the County and were to adjust appropriations as necessary to maintain services.

At year end, *actual* general fund revenues and other financing sources were more than *final amended budget* numbers by $1,867,610. *Actual* general fund expenditures and transfers out were less than *final budgetary* figures by $10,288,337 increasing fund balance by $5,850,400.

Proprietary Funds. Lee County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Due to the forgiveness of an outstanding loan by the City of Sanford, the Water and Sewer District #1 Fund has a net position of $0 at June 30, 2023. The unrestricted net position of the Solid Waste Management Fund equaled $544,981. The increase in net position in this fund was $132,920.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals $56,128,993 (net of accumulated depreciation/amortization). These assets include land, buildings, machinery and equipment, improvements, and construction in progress.

LEE COUNTY'S CAPITAL ASSETS
(net of depreciation/amortization)
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Land	$ 5,421,390	$ 5,616,774	$ 260,425	$ 260,425	$ 5,681,815	$ 5,877,199
Land Improvements	2,449,557	2,449,557	135,796	135,796	2,585,353	2,585,353
Buidlings	23,122,584	13,167,528	201,221	209,297	23,323,805	13,376,825
Roads	1,691,975	1,765,539	346,454	392,691	2,038,429	2,158,230
Equipment	6,520,915	4,870,113	-	-	6,520,915	4,870,113
Construction in Progress	14,548,468	20,491,135	-	-	14,548,468	20,491,135
Right to use assets:						
Leases	352,681	494,182	-	-	352,681	494,182
IT subscriptions	1,077,527	-	-	-	1,077,527	-
Totals	$ 55,185,097	$ 48,854,828	$ 943,896	$ 998,209	$ 56,128,993	$ 49,853,037

Additional information on the County's capital assets can be found in Note III. D. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, Lee County had total bonded debt outstanding of $17,284,598 all of which is debt backed by the full faith and credit of the County. In addition, the County had direct placement obligations of $24,471,814, and limited obligation bond debt of $34,426,849.

LEE COUNTY OUSTANDING DEBT
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
General Obligation Bonds	$ 17,284,598	$ 18,519,212	$ -	$ -	$ 17,284,598	$ 18,519,212
Direct Placement Obligations	24,471,814	38,525,917	-	-	24,471,814	38,525,917
Limited Obligation Bonds	34,426,849	28,088,705	-	-	34,426,849	28,088,705
Leases	351,732	493,634	-	-	351,732	493,634
IT Subscription Liabilities	1,031,685	-	-	-	1,031,685	-
Net Position Liability (LGERS)	13,296,039	3,377,900	158,764	40,332	13,454,803	3,418,232
Total pension liability (LEOSSA	1,965,674	2,356,514	-	-	1,965,674	2,356,514
Net OPEB liability	19,279,755	35,081,450	212,464	386,601	19,492,219	35,468,051
Note Payable	-	-	-	326,749	-	326,749
Totals	$ 112,108,146	$ 126,443,332	$ 371,228	$ 753,682	$ 112,479,374	$ 127,197,014

As mentioned in the financial highlights section of this document, Lee County maintained its Aa2 rating from Moody's Investor Service and its AA rating from Standard and Poor's Corporation during the fiscal year. These bond ratings are a clear indication of the sound financial condition of Lee County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Lee County is $476,552,641. The County has $25.0 million in bonds authorized, but unissued at June 30, 2023 for parks and recreation.

Additional information regarding Lee County's long-term debt can be found in note III. L.

Economic Factors and Next Year's Budgets and Rates

- Lee County's unemployment rate has decreased from 4.5 percent at the end of June 2022 to 4.1 percent at the end of June 2023.
- Total property values increased by 2.91 percent.
- The County's population continues to grow. The estimated population for 2023 of 65,476 is 1,339 higher than the number of 64,137 for calendar year 2022.
- Total sales tax collections continued to increase during the fiscal year ended June 30, 2023 to $23,607,831 from $21,550,777 in the year ended June 30, 2022, an increase of 9.55 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities. Collections from property taxes and sales taxes are expected to lead the increase in revenue projections. Due to economic growth leading to an increased tax base, the County reduced the tax rate from 73.0 cents to 65.0 cents for the fiscal year 2024 budget. The County will use these increases in revenues to finance programs currently in place.

Expenditures in the General Fund have been budgeted at $104,838,073 which represents a 14.85% percent increase from the FY 2023 adopted budget. The largest increments are in employee compensation. The budget funds a 7% cost of living adjustment as well as a $2.4 million pay scale adjustment, which is designed to reduce turnover in our staff and retain our highly trained employees. The budget also includes funding for seventeen new positions to meet current workload demand: Four Income Maintenance Caseworkers in DSS; a Fire Inspector in the Fire Marshal's office; an Electrical Maintenance Mechanic, HVAC Maintenance Mechanic, Maintenance Worker and two Housekeeping Assistants for General Services; an Animal Shelter Attendant for the Health Department; two Detention officers for the Jail; an Animal Control Deputy and Finance Accounting Specialist IV for the Sheriff's Office; a Librarian and a Tax Collections Manager.

Business-type Activities. The FY 2024 Solid Waste Fund budget totals $2,921,360 which represents an increase of 48.51 percent from the adopted FY 2023 budget. The increase is due to the inclusion of $800,000 to potentially relocate one of our convenience centers. A transfer from the County's General Fund is budgeted to cover that cost.

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 the Director of Finance, Lee County, 115 Chatham Street Suite 301, P.O. Box 1968, Sanford, NC 27330. You can also visit our website at www.leecountync.gov.

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BASIC FINANCIAL STATEMENTS

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LEE COUNTY, NORTH CAROLINA
Statement of Net Position
June 30, 2023

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 48,695,161	$ 932,680	$ 49,627,841
Taxes receivable - net	892,522	-	892,522
Accounts receivable - net	9,670,296	127,755	9,798,051
Accrued interest receivable	155,589	3,239	158,828
Restricted assets:			
Temporarily restricted:			
Cash and investments	6,925,900	-	6,925,900
Net pension asset	74,343	-	74,343
Capital assets:			
Land, improvements, and construction in progress	22,419,415	396,221	22,815,636
Other capital assets, net of depreciation	31,335,474	547,675	31,883,149
Right to use assets, net of amortization	1,430,208	-	1,430,208
Total capital assets	55,185,097	943,896	56,128,993
Total assets	121,598,908	2,007,570	123,606,478
Deferred Outflows of Resources			
Pension deferrals	9,859,517	110,561	9,970,078
OPEB deferrals	5,429,779	59,837	5,489,616
Charge on refunding	41,508	-	41,508
Total deferred outflows of resources	15,330,804	170,398	15,501,202
Liabilities			
Accounts payable and accrued liabilities	2,517,398	135,461	2,652,859
Accrued interest payable	454,168	-	454,168
Due to other governments	2,331	-	2,331
Unearned revenue	4,178,953	-	4,178,953
Liabilities to be paid from restricted assets	379,027	-	379,027
Long-term liabilities			
Due within one year	11,852,454	10,000	11,862,454
Due in more than one year	102,731,230	373,007	103,104,237
Total long-term liabilities	114,583,684	383,007	114,966,691
Total liabilities	122,115,561	518,468	122,634,029
Deferred Inflows of Resources			
Pension deferrals	660,505	922	661,427
OPEB deferrals	15,399,151	169,701	15,568,852
Prepaid taxes	205,541	-	205,541
Leases	917,883	-	917,883
Total deferred inflows of resources	17,183,080	170,623	17,353,703
Net Position			
Net investment in capital assets	40,559,736	943,896	41,503,632
Restricted for:			
Stabilization by State Statute	13,263,034	-	13,263,034
General Government	6,068	-	6,068
Public Safety	2,197,697	-	2,197,697
Economic and Physical Development	588,003	-	588,003
Human Services	31,951	-	31,951
Cultural & Recreational	3,592,367	-	3,592,367
Education	351,007	-	351,007
Register of Deeds	394,020	-	394,020
Register of Deeds' pension plan	115,457	-	115,457
Unrestricted	(63,468,269)	544,981	(62,923,288)
Total net position	$ (2,368,929)	$ 1,488,877	$ (880,052)

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

Exhibit 2

LEE COUNTY, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues			Net (Expenses) Revenue and Change in Net Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	$ 12,618,145	$ 858,408	$ 40,615	$ -	$ (11,719,122)	$ -	$ (11,719,122)
Public safety	18,180,161	753,079	6,478,022	-	(10,949,060)	-	(10,949,060)
Economic and physical development	4,195,184	225,998	365,047	-	(3,604,138)	-	(3,604,138)
Human services	16,109,377	1,395,378	8,944,951	-	(5,769,049)	-	(5,769,049)
Cultural and recreation	1,236,716	517,010	1,337,909	-	618,203	-	618,203
Education	26,065,301	-	102,974	201,515	(25,760,812)	-	(25,760,812)
Interest on long-term debt	2,296,608	-	-	-	(2,296,608)	-	(2,296,608)
Total governmental activities	80,701,492	3,749,873	17,269,518	201,515	(59,480,587)	-	(59,480,587)
Business-type activities:							
Water & Sewer	-	-	-	-	-	-	-
Solid Waste Management Fund	1,885,875	1,803,950	-	-	-	(81,925)	(81,925)
Total business-type activities	1,885,875	1,803,950	-	-	-	(81,925)	(81,925)
Total primary government	$ 82,587,367	$ 5,553,823	$ 17,269,518	$ 201,515	(59,480,587)	(81,925)	(59,562,512)
General revenues:							
Ad valorem taxes					55,448,938	-	55,448,938
Sales taxes					23,607,831	-	23,607,831
Other taxes					1,477,178	187,100	1,664,278
Grants and contributions not restricted to specific programs					366,499	-	366,499
Investment earnings					1,589,082	28,394	1,617,476
Miscellaneous					1,061,819	-	1,061,819
Loss on disposal of assets					-	(649)	(649)
Total general revenues					83,551,347	214,845	83,766,192
Special item - forgiveness of loan					-	326,749	326,749
Total general revenues and special items					83,551,347	541,594	84,092,941
Change in net position					24,070,760	459,669	24,530,429
Net position, beginning					(26,439,689)	1,029,208	(25,410,481)
Net position, ending					$ (2,368,929)	$ 1,488,877	$ (880,052)

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

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2023

Exhibit 3

	Major Funds					
	General Fund	American Rescue Plan Fund	Capital Projects Outlay Fund	Multi-Sports Complex Project Fund	Non-major Governmental Funds	Total Governmental Funds
Assets						
Assets:						
Cash and investments	$ 31,393,544	$ -	$ 8,505,826	$ -	$ 7,949,819	$ 47,849,189
Taxes receivable - net	703,286	-	-	-	123,741	827,027
Accounts receivable - net	9,187,230	15,859	-	-	467,207	9,670,296
Accrued interest receivable	75,438	13,198	29,539	-	34,476	152,651
Due from other funds	4,216,301	-	-	-	-	4,216,301
Cash and investments - restricted	891,344	3,800,621	-	-	2,233,935	6,925,900
Total assets	$ 46,467,143	$ 3,829,678	$ 8,535,365	$ -	$ 10,809,178	$ 69,641,364
Liabilities, Deferred Inflows of Resources Resources, and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	$ 1,735,149	$ -	$ -	$ 332,869	$ 416,930	$ 2,484,948
Due to other governments	-	-	-	-	2,331	2,331
Due to other funds	-	-	-	3,535,270	681,031	4,216,301
Unearned revenue	457,537	3,176,109	-	-	545,307	4,178,953
Liabilities to be paid from restricted assets	-	365,781	-	-	13,246	379,027
Total liabilities	2,192,686	3,541,890	-	3,868,139	1,658,845	11,261,560
Deferred Inflows of Resources						
Prepaid taxes	205,541	-	-	-	-	205,541
Property tax receivable	703,286	-	-	-	123,741	827,027
Other receivables	9,546	-	-	-	-	9,546
Leases receivable	917,883	-	-	-	-	917,883
Total deferred inflows of resources	1,836,256	-	-	-	123,741	1,959,997
Fund Balances:						
Nonspendable						
Leases	1,623	-	-	-	-	1,623
Restricted:						
Stabilization by State Statute	12,870,064	-	29,539	-	363,431	13,263,034
General Government	-	-	-	-	222,025	222,025
Public Safety	-	-	-	-	3,659,060	3,659,060
Economic and Physical Development	-	-	-	-	588,003	588,003
Human Services	-	-	-	-	31,951	31,951
Cultural & Recreational	-	-	-	-	3,592,367	3,592,367
Education	-	-	-	-	351,007	351,007
Register of Deeds	394,020	-	-	-	-	394,020
Committed:						
Economic and Physical Development	-	-	-	-	815,752	815,752
Public Safety	481,016	287,788	-	-	-	768,804
Human Services	939,713	-	-	-	-	939,713
LEO Special Separation Allowance	4,548	-	-	-	-	4,548
Assigned:						
Subsequent year's expenditures	3,000,000	-	-	-	-	3,000,000
Capital	-	-	8,505,826	-	-	8,505,826
Unassigned:	24,747,217	-	-	(3,868,139)	(597,004)	20,282,074
Total fund balances	42,438,201	287,788	8,535,365	(3,868,139)	9,026,592	56,419,807
Total liabilities, deferred inflows of resources, and fund balances	$ 46,467,143	$ 3,829,678	$ 8,535,365	$ -	$ 10,809,178	$ 69,641,364

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

LEE COUNTY, NORTH CAROLINA
Balance Sheet - Governmental Funds
June 30, 2023

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balance, Governmental Funds	$ 56,419,807
Charges related to advance refunding bond issue	41,508
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	53,754,889
Right to use assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	1,430,208
Net pension asset	74,343
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds accrued interest rebate	65,495
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	2,521,880
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	69,384
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	582,400
Net pension liability	(13,296,039)
Net OPEB liability	(19,279,755)
Total pension liability	(1,965,674)
Deferred inflows of resources for taxes and other receivables	836,573
Pension related deferrals	6,607,748
OPEB related deferrals	(10,551,772)
Compensated absences not expected to be materially liquidated with expendable available resources	(2,475,538)
Some liabilities, including bonds, leases, and IT subscriptions, and accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(78,020,846)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the Statement of Net Position.	816,460
Net position of governmental activities	$ (2,368,929)

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

Exhibit 4

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2023

	Major Funds					
	General Fund	American Rescue Plan Fund	Capital Projects Outlay Fund	Multi-Sports Complex Project Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	$ 50,856,301	$ -	$ -	$ -	$ 4,475,580	$ 55,331,881
Local option sales taxes	23,607,831	-	-	-	-	23,607,831
Other taxes and licenses	859,571	-	-	-	617,607	1,477,178
Unrestricted intergovernmental	366,499	-	-	-	-	366,499
Restricted intergovernmental	9,502,303	7,328,884	-	-	303,016	17,134,203
Permits and fees	328,205	-	-	-	-	328,205
Sales and services	3,668,829	-	-	-	102,974	3,771,803
Investment earnings	905,177	152,453	164,377	-	349,452	1,571,459
Miscellaneous	959,309	-	-	-	100,000	1,059,309
Total revenues	91,054,025	7,481,337	164,377	-	5,948,629	104,648,368
Expenditures:						
Current:						
General government	13,899,996	40,615	-	-	420,837	14,361,448
Public safety	9,175,229	6,157,824	-	-	3,642,235	18,975,288
Economic and physical development	2,045,699	-	-	1,679,856	1,267,018	4,992,573
Human services	15,609,586	-	-	-	233,194	15,842,780
Education	25,788,514	-	-	-	273,301	26,061,815
Cultural and recreational	3,083,161	1,130,445	-	-	805,013	5,018,619
Debt service:						
Principal retirement	9,246,674	-	-	-	-	9,246,674
Interest and fees	2,532,786	-	-	-	-	2,532,786
Total expenditures	81,381,645	7,328,884	-	1,679,856	6,641,598	97,031,983
Revenues over (under) expenditures	9,672,380	152,453	164,377	(1,679,856)	(692,969)	7,616,385
Other Financing Sources (Uses):						
Transfers from other funds	353,698	125,000	2,820,387	-	2,812,100	6,111,185
Transfers to other funds	(5,757,487)		-	-	(353,698)	(6,111,185)
Repayment of Installment Purchase Obligations	-	-	-	-	(7,220,000)	(7,220,000)
Installment purchase obligation issued	-	-	-	-	7,619,000	7,619,000
Lease liabilities issued	9,598	-	-	-	-	9,598
IT Subscription agreement	1,572,211	-	-	-	-	1,572,211
Total other financing sources (uses)	(3,821,980)	125,000	2,820,387	-	2,857,402	1,980,809
Net change in fund balances	5,850,400	277,453	2,984,764	(1,679,856)	2,164,433	9,597,194
Fund balances, beginning of year	36,587,801	10,335	5,550,601	(2,188,283)	6,862,159	46,822,613
Fund balances, end of year	$ 42,438,201	$ 287,788	$ 8,535,365	$ (3,868,139)	$ 9,026,592	$ 56,419,807

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

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds (Exhibit 4)	$ 9,597,194
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which capital outlays exceeded depreciation and amortization in the current period	6,733,623
Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(403,354)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	2,521,880
Benefit payments and pension administration costs for LEOSSA are deferred outflows of resources on the Statement of Net Position	69,384
Contributions and pension administration costs for OPEB are deferred outflows on the Statement of Net Position	582,400
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	123,884
The issuance of long-term debt (e.g. bonds, 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, however, has any effect on net position. Also, governmental funds report the effect of premiums 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.	7,820,319
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not required as expenditures in governmental funds.	(3,791,030)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.	816,460
Change in net position of governmental activities	$ 24,070,760

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

LEE COUNTY, NORTH CAROLINA

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2023

	Budget			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Ad valorem taxes	$ 48,876,205	$ 48,876,205	$ 50,856,301	$ 1,980,096
Local option sales taxes	23,189,575	23,189,575	23,607,831	418,256
Other taxes and licenses	710,740	710,740	859,571	148,831
Unrestricted intergovernmental	377,727	377,727	366,499	(11,228)
Restricted intergovernmental	9,611,863	11,727,173	9,502,303	(2,224,870)
Permits and fees	298,260	298,260	328,205	29,945
Sales and services	3,225,529	3,339,420	3,668,829	329,409
Investment earnings	100,000	100,000	905,177	805,177
Miscellaneous	289,745	519,810	959,309	439,499
Total revenues	86,679,644	89,138,910	91,054,025	1,915,115
Expenditures:				
Current:				
General government	13,688,568	15,568,837	13,899,996	1,668,841
Public safety	14,941,293	12,461,907	9,175,229	3,286,678
Economic and physical development	2,170,704	2,292,897	2,045,699	247,198
Human services	16,826,506	19,588,337	15,609,586	3,978,751
Education	26,390,259	26,390,259	25,788,514	601,745
Cultural and recreational	2,760,486	3,579,688	3,083,161	496,527
Debt service:				
Principal retirement	9,177,089	9,247,364	9,246,674	690
Interest and fees	2,466,256	2,537,538	2,532,786	4,752
Total expenditures	88,421,161	91,666,827	81,381,645	10,285,182
Revenues over (under) expenditures	(1,741,517)	(2,527,917)	9,672,380	12,200,297
Other Financing Sources (Uses):				
Transfers from other funds	353,698	353,698	353,698	-
Transfers to other funds	(2,865,387)	(5,760,642)	(5,757,487)	3,155
IT Subscription agreement	-	1,619,714	1,572,211	(47,503)
Lease liabilities issued	-	9,600	9,598	(2)
Total other financing sources (uses)	(2,511,689)	(3,777,630)	(3,821,980)	(44,350)
Revenues and other financing sources over (under) expenditures and other financing uses	(4,253,206)	(6,305,547)	5,850,400	12,155,947
Appropriated fund balance	4,253,206	6,305,547	-	(6,305,547)
Net change in fund balance	$ -	$ -	5,850,400	$ 5,850,400
Fund balance, beginning of year			36,587,801	
Fund balance, end of year			$ 42,438,201	

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

LEE COUNTY, NORTH CAROLINA
Statement of Fund Net Position - Proprietary Funds
June 30, 2023

	Non-major Funds			Governmental Activities
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and investments	$ 932,680	$ -	$ 932,680	$ 845,972
Accounts receivable - net	127,755	-	127,755	-
Accrued interest receivable	3,239	-	3,239	2,938
Total current assets	1,063,674	-	1,063,674	848,910
Non-current assets:				
Land, improvements, and construction in progress	396,221	-	396,221	-
Other capital assets, net of accumulated depreciation	547,675	-	547,675	-
Total non-current assets	943,896	-	943,896	-
Total assets	2,007,570	-	2,007,570	848,910
Deferred outflows of resources	170,398	-	170,398	-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	95,313	-	95,313	32,450
Compensated absences payable	10,000	-	10,000	-
Accrued landfill closure costs	40,148	-	40,148	-
Total current liabilities	145,461	-	145,461	32,450
Non-current liabilities:				
Compensated absences payable	1,779	-	1,779	-
Loan payable	-	-	-	-
Net pension liability	158,764	-	158,764	-
OPEB liability payable	212,464	-	212,464	-
Total non-current liabilities	373,007	-	373,007	-
Total liabilities	518,468	-	518,468	32,450
Deferred inflows of resources	170,623	-	170,623	-
Net Position				
Net Investment in capital assets	943,896	-	943,896	-
Unrestricted	544,981	-	544,981	816,460
Total net position	$ 1,488,877	$ -	$ 1,488,877	$ 816,460

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

LEE COUNTY, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
For The Year Ended June 30, 2023

Exhibit 7

	Non-major Funds			Governmental Activities
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Total	Internal Service Fund
Operating revenues:				
Charges for services	$ 1,777,702	$ -	$ 1,777,702	$ 3,587,595
Other miscellaneous revenues	26,248	-	26,248	-
Total operating revenues	1,803,950	-	1,803,950	3,587,595
Operating expenses:				
Cost of service and administration	1,832,211	-	1,832,211	-
Group health	-	-	-	2,788,758
Depreciation	53,664	-	53,664	-
Total operating expenses	1,885,875	-	1,885,875	2,788,758
Operating income (loss)	(81,925)	-	(81,925)	798,837
Non-operating revenues (expenses):				
Solid waste disposal tax	34,504	-	34,504	-
Scrap tire disposal tax	120,888	-	120,888	-
White goods disposal tax	31,708	-	31,708	-
Investment earnings	28,394	-	28,394	17,623
Forgiveness of loan	-	326,749	326,749	-
Loss on disposal of capital assets	(649)	-	(649)	-
Non-operating revenues (expenses)	214,845	326,749	541,594	17,623
Change in net position	132,920	326,749	459,669	816,460
Net position, beginning	1,355,957	(326,749)	1,029,208	-
Net position, ending	$ 1,488,877	$ -	$ 1,488,877	$ 816,460

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

LEE COUNTY, NORTH CAROLINA

Exhibit 8

Statement of Cash Flows - Proprietary Funds
For The Year Ended June 30, 2023

	Non-major Funds			Governmental Activities
	Solid Waste Management Fund	Water and Sewer District #1 Fund	Total	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers	$ 1,767,726	$ -	$ 1,767,726	$ 3,587,595
Payments to suppliers for goods and services	(1,117,200)	-	(1,117,200)	(2,756,308)
Payments to or on behalf of employees	(644,899)	-	(644,899)	-
Other operating revenues	26,248	-	26,248	-
Net cash provided (used) by operating activities	31,875	-	31,875	831,287
Cash flows from noncapital and related financing activities:				
Tax receipts	187,100	-	187,100	-
Net cash provided (used) by noncapital and related financing activities	187,100	-	187,100	-
Cash flows from investing activities -				
Interest on investments	25,653	-	25,653	14,685
Net increase (decrease) in cash and cash equivalents	244,628	-	244,628	845,972
Cash and cash equivalents, beginning of year	688,052	-	688,052	-
Cash and cash equivalents, end of year	$ 932,680	$ -	$ 932,680	$ 845,972
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (81,925)	$ -	$ (81,925)	$ 798,837
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	53,664	-	53,664	-
Changes in assets, liabilities, and deferred outflows and inflows of resources:				
(Increase) decrease in accounts receivable	(9,976)	-	(9,976)	-
(Increase) decrease in deferred outflows of resources - pension	(43,985)	-	(43,985)	-
(Increase) decrease in deferred outflows of resources - OPEB	15,808	-	15,808	-
(Decrease) in net pension liability	118,432	-	118,432	-
Increase in net OPEB liability	(174,137)	-	(174,137)	-
Increase (decrease) in accounts payable and accrued expenses	65,609	-	65,609	32,450
Increase (decrease) in compensated absences	(11,121)		(11,121)	-
Increase (decrease) in accrued landfill closure cost	9,920	-	9,920	-
Increase (decrease) in deferred inflows of resources - pensions	(57,283)	-	(57,283)	-
Increase (decrease) in deferred inflows of resources - OPEB	146,869	-	146,869	-
Net cash provided (used) by operating activities	$ 31,875	$ -	$ 31,875	$ 831,287

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

LEE COUNTY, NORTH CAROLINA

Exhibit 9

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	Kenneth Brown Bequest Fund	Custodial Funds
Assets		
Cash and investments	$ 12,787	$ 107,659
Taxes receivable - net	-	379,989
Accounts receivable	-	255,316
Accrued interest receivable	44	-
Total assets	12,831	742,964
Liabilities		
Accounts payable	-	255,316
Due to other governments	-	50,925
Total liabilities	-	306,241
Net Position		
Restricted for:		
Individuals, organizations, and other governments	12,831	436,723
Total fiduciary net position	$ 12,831	$ 436,723

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

LEE COUNTY, NORTH CAROLINA

Exhibit 10

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Kenneth Brown Bequest Fund	Custodial Funds
Additions:		
Investment earnings	$ 326	$ -
Ad valorem taxes collected for other governmnets	-	24,092,607
Other taxes and licenses collected for other governments	-	345,498
Collections on behalf of inmates	-	410,534
Total additions	326	24,848,639
Deductions:		
Tax distributions to other governments	-	24,412,154
Payments on behalf of inmates	-	390,029
Total deductions	-	24,802,183
Net increase (decrease) in diduciary net position	326	46,456
Net position, beginning	12,505	390,267
Net position, ending	$ 12,831	$ 436,723

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lee County and its component units conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under 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 Lee County Water and Sewer District #1 exists to provide and maintain a water and sewer system for the County residents within the District. The District is reported as an Enterprise Fund in the County's financial statements. Lee County Industrial Facility and Pollution Control Financing Authority (the *Authority*) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. Lee County Development Corporation (the *Corporation*) exists for the purpose of providing debt financing for the County, to fulfill various statutory obligations involving but not limited to purchase and sale, construction and/or lease of real estate and improvement, facilities, and equipment. The Corporation has no financial transactions or account balances; therefore, it is not presented in the combined financial statements.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Water and Sewer District #1	Blended	Under State law (G.S. 162A-89), the County's Board of Commissioners also serves as the governing board for the District. The County has operational responsibility for the District.	None issued.
Lee County Industrial Facility 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 commissioner of the Authority with or without cause.	None issued.
Lee County Development Corporation	Discrete	The Corporation has a three-member board of directors who are established through the by-laws of the Articles of Incorporation.	None issued.

B. Basis of Presentation – Measurement Focus and Basis of Accounting

Government-wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Measurement Focus and Basis of Accounting (Continued)

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 and blended component units. 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 and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

American Rescue Plan Fund accounts for the transactions related to the American Rescue Plan funds.

Capital Outlay Project Fund is used as a capital reserve fund and accounts for the accumulation of resources to be used for future construction projects.

Multi-Sports Complex Project Fund accounts for the costs associated with the construction of a multi-sports complex.

Additionally, the County reports the following fund types:

Fiduciary funds. Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Fiduciary funds include the following fund types:

Private-purpose trust fund. The County maintains one private-purpose trust fund: the Kenneth Brown Bequest Fund. Private-purpose trust funds are used to account for resources legally held in trust for use by a not-for-profit organization. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The Kenneth Brown Bequest Fund accounts for assets where the interest and principal can be spent.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: Town of Broadway Tax Fund, City of Sanford Tax Fund, Central Business District Tax Fund, which account for ad valorem and vehicle property taxes that are billed and collected by the County but that are not revenues to the County; Sanford Room Occupancy Tax Fund, which accounts for room occupancy tax that is collected by the County but that is not revenue to the County; and Jail Inmate Pay Fund, which holds cash collections for the benefit of inmates from their friends and families.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Measurement Focus and Basis of Accounting (Continued)

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Lee County has two enterprise funds: the Water and Sewer District #1 Fund and the Solid Waste Management Fund.

Internal Service Fund. The Internal Service Group Health is used to account for the financial activities of the County's self-insured benefit plan for employee group healthcare and activities of the County's coverage through a third party.

Non-major funds. The County maintains several legally budgeted funds. The Fire Protection Fund, Room Occupancy Tax Fund, Emergency Telephone System Fund, Airport Tax Revenue Fund, Drug Seizure Fund, Revolving Loan Fund, Representative Payee Fund, Fines and Forfeitures Fund, and Opioid Settlement Fund are reported as non-major special revenue funds. The Courthouse Complex Renovations Fund, Park Improvements Funds, Lee County Government Center Renovations Fund, CCCC Library/Lee Early College Classroom Facility Renovations and Additions Fund, Lee County Government Library Fund, Bob Hales Recreation Center Fund, Historic Courthouse Repairs Fund, Kiwanis Children's Park Renovations Fund, and Temple Park Phase II Fund are reported as non-major capital project funds.

The County reports the following enterprise funds:

Solid Waste Management Fund accounts for the operations of the County's solid waste activities.

Water and Sewer District #1 Fund accounts for the operations of the County's water system.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Measurement Focus and Basis of Accounting (Continued)

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. Since September 1, 2013, the State of North Carolina has been responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. These property taxes are due when vehicles are registered. Motor vehicle property tax revenues are applicable to the fiscal year in which they are received. Uncollected taxes that were billed by the County for periods prior to September 1, 2013 or those for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, Fire Protection Fund, Room Occupancy Tax Fund, Emergency Telephone System Fund, Airport Tax Revenue Fund, Drug Seizure Funds, Revolvign Loan Fund, Representative Payee Fund, Fines and Forfeitures Fund, the Capital Projects Outlay Fund and the Proprietary Funds. All annual appropriations lapse at June 30. Project ordinances are adopted for the America Rescue Plan Special Revenue Fund, Opioid Settlement Special Revenue Fund, and the Capital Project Funds excluding the Capital Projects Outlay Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the project level for the multiyear funds. The County Manager is authorized to transfer appropriations between departments within a fund up to $5,000; however, any revisions that alter the total expenditures of any fund or exceed $5,000 between departments must be approved by the governing board. The manager must also approve intradepartmental transactions. During the year, amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments

All deposits of the County are made in board-designated official depositories and are secured as required by North Carolina G.S. 159-31. The County may establish official depositories with any bank or savings association whose principal office is located in North Carolina. The County may also establish time deposits in the form of NOW and SuperNow accounts, money market accounts, and certificates of deposit.

State Law [G.S. 159-30(c)] 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 earnings investment contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT), which consists of a SEC-registered funds, is authorized by G.S. 159-30(c) (8). The Government Portfolio, which invests in treasuries and government agencies is a money market mutual fund (2a-7) fund and is rated AAAm by S&P and AAA-mf by Moody's Investor Services. The Government Portfolio is reported at fair value.

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.

Restricted Assets

The unexpended bond proceeds of the Series 2018 Limited Obligation Bonds are classified as restricted assets within the Courthouse Complex Renovations Fund, and the Park Improvements Fund. The unexpended proceeds of the 2020 Installment Financing Agreement are classified as restricted assets within the Courthouse Complex Renovations Fund and the Lee County Government Center Renovations Fund. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted Assets

Governmental Activities:		
Courthouse Complex Renovations Fund	Unexpended bond proceeds	$ 1,461,363
Lee County Government Center Renovations Fund	Unexpended bond proceeds	215,957
Opioid Settlement Fund	Unexpended settlement funds	556,615
American Rescue Plan Fund	Unexpended grant funds	3,800,621
General Fund	Security for letter of credit	433,807
General Fund	Unexpended grant funds	457,537
Total Governmental Activities		$ 6,925,900

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. The taxes are based on the assessed values as of January 1, 2022.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)

Lease Receivable

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

Allowance 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.

Other Resources

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets that are purchased or constructed are recorded at 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

The County holds title to certain Lee County Board of Education and Central Carolina Community College properties that have not be included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education and the Community College, respectively, give the Board of Education and the 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 Education or Central Carolina Community College, once all restrictions of the financing agreements and all sales tax reimbursements have been met. The properties are reflected as capital assets in the financial statements of the Lee County Board of Education and Central Carolina Community College.

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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)

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:

Land improvements	25	years
Buildings	50	years
Roads	40	years
Equipment	5-20	years
Vehicles	5	years
Office furniture and equipment	7	years

Deferrred outflows / inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditures until then. The County has several items that meet this criterion – pension related deferrals, contributions made to the OPEB or pension plans in the current fiscal year, and deferred charge on refunding.

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 criterion for this category – prepaid taxes, taxes receivable, other receivables, leases, and other OPEB or pension deferrals.

Long-Term Obligations

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

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

Compensated Absences

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, 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 by the County.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (continued)

Opioid Settlement Funds

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

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

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

The County received $383,707 as part of this settlement in Fiscal Year 2023. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2023. The MOA offered the County two options of expending funds. Option A offers a list of 12 categories of evidence-based strategies to address the opioid epidemic. Option B offers a wider array of strategies to address the impact of the opioid epidemic. As of June 30, 2023, the County had not picked an option.

Reimbursement 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 eligible state, local, territorial, and tribal governments. The county was allocated $11,999,847 of fiscal recovery funds to be paid in equal installments. The first installment of $5,999,924 was received in August 2021. The second installment of $5,999,924 was received August 2022. County staff and the Board of Commissioners elected to use $8,000,000 of the allotted Revenue Loss funds toward Sheriff Salaries; $2,000,000 of the allotted Revenue Loss funds toward improving broadband; $385,134 towards Premium Pay; $238,228 toward administration of the grant, $604,450 toward the Horton Pool Renovation; and $772,035 toward the Horton Bath House Renovation.

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.

Net Position/Fund Balances

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 externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balances

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (continued)

The governmental fund types classify fund balance as follows:

Nonspendable 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.

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

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

> Restricted for Stabilization of 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.* RSS is reduced by inventories and prepaids as they are classified as nonspendable. 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 General Government – portion of fund balance that is restricted by revenue source for general government purposes.
>
> Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety purposes.
>
> Restricted for Economic and Physical Development – portion of fund balance that is restricted by revenue source for economic and physical development purposes.
>
> Restricted for Human Services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program.
>
> Restricted for Cultural & Recreational – portion of fund balance that is restricted by revenue source for Cultural & Recreational activities.
>
> Restricted for Education – portion of fund balance that is restricted by revenue sources for education purposes.
>
> Restricted for Register of Deeds - portion of fund balance that is restricted by revenue source to pay for computer equipment and imaging technology for the Register of Deeds' office.

Restricted fund balance/net position on Exhibit 1 varies from Exhibit 3 by the amount of unexpended bond proceeds of $21,677,320 and Register of Deeds' Pension Plan of $115,457 for a net difference of $1,792,777.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote of Lee County's Governing Board. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)

Net Position/Fund Balances (Continued)

Committed for Economic and Physical Development – portion of fund balance that can only be used for economic and physical development projects.

Committed for Public Safety – portion of fund balance that can only be used for public safety purposes.

Committed for Human Services – portion of fund balance that can only be used for human services purposes.

Committed for LEO pension obligation – portion of fund balance that will be used for the Law Enforcement Officers' Special Separation Allowance obligations.

Assigned Fund Balance – portion of fund balance that the Lee County Board of Commissioners intends to use for specific purposes. The County's governing body has the authority to assign fund balance.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

Assigned for Capital – portion of fund balance that can only be used for capital purchases or for debt service incurred to finance capital expenditures.

Unassigned Fund Balance – portion of fund balance that has not been restricted, committed, or assigned to specific purpose. The general fund should be the only fund to report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative fund balance.

The County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: debt proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the County.

The County has adopted a minimum fund balance policy for the General Fund which 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 24% of budgeted expenditures. The County's financial policy also directs management to strive to reach an available fund balance level of 32% of budgeted expenditures. Amounts in excess of that will be transferred to a capital reserve fund to provide equity resources to fund the County's capital improvement plan.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows, and Fund Equity (Continued)

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"), and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). 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 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Reconciliation of Government-wide and Fund Financial Statements

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. The net adjustment of $(58,788,736) consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets on government-wide statement in governmental activities column)	$ 87,846,885
Less accumulated depreciation	(34,091,996)
Net capital assets	53,754,889
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds	2,111,350
Less accumulated amortization	(681,142)
Net right to use assets	1,430,208
Net pension asset	74,343
Contributions to the pension plan in the current fiscal year	2,521,880
Benefit payments for LEOSSA made subsequent to measurement date	69,384
Contributions to OPEB plan in the current fiscal year	582,400
Deferred charges related to advance refunding bond issued – included on government-wide statement of net position but are not current financial resources	41,508

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds accrued interest rebate	65,495
Deferred inflows of resources for taxes and other receivables	836,573
Pension related deferrals	6,607,748
OPEB related deferrals	(10,551,772)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Bonds, leases, IT subscriptions, and installment financing	(77,566,678)
Compensated absences	(2,475,538)
Net OPEB liability	(19,279,755)
Net pension liability	(13,296,039)
Total Pension liability	(1,965,674)
Accrued interest payable	(454,168)
Internal service funds are used by management to charge the costs of certain activities to individual funds. These assets and liabilities are included in governmental activities in the Statement of Net Position.	816,460
Total adjustment	$ (58,788,736)

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

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. The net adjustment of $14,473,566 consists of several elements as follows:

Capital outlay and right to use expenditures recorded in the funds statements but capitalized as assets in the Statement of Activities	$ 9,040,653
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements.	(2,307,030)
Costs of disposed capital assets not recorded in fund statements	(403,354)
The issuance of debt is recorded as a source of funds in the fund financial statements; it has no effect on the Statement of Activities; it affects only the government-wide Statement of Net Assets.	(9,200,809)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements	17,021,128
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	2,521,880
Benefit payments paid after measurement date for LEOSSA are deferred outflows of resources on the Statement of Net Position	69,384

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Reconciliation of Government-wide and Fund Financial Statements (Continued)

Contributions to the OPEB plan are deferred outflows of resources on the Statement of Net Position	582,400
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Increase in deferred inflows of resources – taxes receivable	77,789
Change in health department receivable at end of year	6,827
Accrued interest rebate not recorded on fund statements	39,268
Expenses reported in the Statement of Activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified government-wide statements (full accrual)	2,626
Compensated absences	(353,438)
OPEB expense (revenue)	457,549
Pension expense	(4,131,319)
Deferred charges amortization	(6,918)
Premium amortization	240,470
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities.	816,460
Total adjustment	$ 14,473,566

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

The County reported a deficit fund balance in the CCCC Library / Lee Early College Classroom Facility Fund of $594,873 and in the Multi-Sports Complex Project Fund of $3,868,139 as a result of timing of the receipt of revenues sources for the projects. Because these are project funds with budget appropriated in the subsequent year, there is no violation to report.

III. DETAIL NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

County 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 the securities held by the County's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for 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. The County has no formal policy regarding custodial credit 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 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 carrying amount of the County's bank deposits (including fiduciary funds) was $7,926,236 and the bank balance was $8,181,402. Of this total, $482,332 was in escrow accounts with financial institutions.

Sufficient collateral was maintained at June 30, 2023 to secure the County's deposits. Of the bank balance, $500,000 was covered by federal depository insurance, and $7,681,402 was collateralized under the Pooling Method.

At June 30, 2023, the County had $2,605 cash on hand.

Investments

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

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months
NC Capital Management Trust – Government Portfolio	Fair Value-Level 1	$48,745,346	$48,745,346
Total		$48,745,346	$48,745,346

Since the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months. The NCCMT Government Portfolio has an AAAm rating from Standard & Poor's and AAA-mf by Moody's Investor Service.

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

Level of fair value hierarchy: Level 1: Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2: Debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' 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 75% 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 three years.

III. DETAIL NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

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). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2023.

Concentration of Credit Risk. With the exception of U.S. Treasury securities and agencies and authorized pools, Lee County's investment policy does not allow for an investment in one issuer in excess of 40% of the County's total investments.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County's informal policy indicates that the County shall utilize a third-party custodial agent for book entry transactions, all of which shall be a trust department authorized to do trust work in North Carolina who has an account with the Federal Reserve. At June 30, 2023, all of the County's investments were in the County's name.

B. Property Tax - Use-Value Assessment on Certain Lands

In accordance with the General Statutes, agriculture, horticulture, and forest land 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.

Year Levied	Tax	Interest	Total
2022	$ 1,770,723	$ 101,817	$ 1,872,540
2021	1,921,462	283,416	2,204,878
2020	1,997,073	474,305	2,471,378
2019	2,052,682	672,253	2,724,935
Total	$ 7,741,940	$ 1,531,791	$ 9,273,731

C. Receivables

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

		Accounts Receivable - Net			
	Taxes Receivable-Net	Accounts	Due from Other Government	Leases Receivable	Total
Governmental activities:					
General	$ 1,068,322	$ 2,045,340	$ 6,511,271	$ 919,506	$ 9,476,117
Other governmental	148,314	448,288	34,779	-	483,067
Total receivables	1,216,636	2,493,628	6,546,050	919,506	9,959,184
Allowance for doubtful accounts	(324,114)	(288,888)	-	-	(288,888)
Total governmental activities	$ 892,522	$ 2,204,740	$ 6,546,050	$ 919,506	$ 9,670,296

III. DETAIL NOTES OF ALL FUNDS (CONTINUED)

C. Receivables (continued)

	Taxes Receivable-Net	Accounts Receivable - Net: Accounts	Due from Other Government	Leases Receivable	Total
Business-type activities:					
Solid waste management	$ -	$ 77,983	$ 49,772	$ -	$ 127,755
Allowance for doubtful accounts	-	-	-	-	-
Total business type activities	$ -	$ 77,983	$ 49,772	$ -	$ 127,755

Local option sales tax	$ 5,836,520
Sales tax	343,433
Various federal, state and local grants	415,869
Total	$ 6,595,822

Leases Receivable

For the year ended 6/30/2023, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On December 1, 2021, the County entered into a 55-month lease as Lessor for the use of First Health - EMS Building. An initial lease receivable was recorded in the amount of $277,813. As of June 30, 2023, the value of the lease receivable is $183,350. The lessee is required to make monthly fixed payments of $5,186. The lease has an interest rate of 1.1770%. The building’s estimated useful life was zero months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was $181,841, and Lee County recognized lease revenue of $60,614 during the fiscal year.

On July 1, 2021, the County entered into a 30-month lease as Lessor for the use of USDA - McSwain Center (2410 Tramway Road). An initial lease receivable was recorded in the amount of $78,109. As of June 30, 2023, the value of the lease receivable is $15,736. The lessee is required to make monthly fixed payments of $2,628. The lease has an interest rate of 0.7270%. The building’s estimated useful life was zero months as of the contract commencement. The value of the deferred inflow of resources as of June 30, 2023 was $15,622, and Lee County recognized lease revenue of $31,244 during the fiscal year.

On 07/01/2022, Lee County, NC entered into a 36 month lease as Lessor for the use of Buggy Building-City of Sanford. An initial lease receivable was recorded in the amount of $308,369. As of 06/30/2023, the value of the lease receivable is $205,579. The lessee is required to make monthly fixed payments of $8,566. The lease has an interest rate of 0.0000%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $205,579, and Lee County, NC recognized lease revenue of $102,790 during the fiscal year.

On 07/01/2022, Lee County, NC entered into a 120 month lease as Lessor for the use of Buggy Building-SAGA. An initial lease receivable was recorded in the amount of $572,046. As of 06/30/2023, the value of the lease receivable is $514,841. The lessee is required to make monthly fixed payments of $4,767. The lease has an interest rate of 0.0000%. The Buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was $514,841, and Lee County, NC recognized lease revenue of $57,205 during the fiscal year.

III. DETAIL NOTES OF ALL FUNDS (CONTINUED)

C. Receivables (Continued)

Principal and Interest Expected to Maturity

	Governmental Activities		
Fiscal Year	Principal	Interest	Total Payments
2024	$ 236,129	$ 1,866	$ 93,770
2025	221,108	1,118	78,001
2026	119,042	395	62,232
2027	57,205	-	62,232
2028	57,205	-	62,233
2029-2032	228,817	-	62,234
Total	$ 919,506	$ 3,379	$ 420,702

D. Capital Assets

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

Governmental activities by type:	June 30, 2022	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2023
Non-depreciable assets:				
Land	$ 5,616,774	$ 1,808	$ (197,192)	$ 5,421,390
Land Improvements	2,449,557	-	-	2,449,557
Construction in progress	20,491,135	5,137,866	(11,080,533)	14,548,468
Total non-depreciable assets	28,557,466	5,139,674	(11,277,725)	22,419,415
Depreciable assets:				
Buildings	37,291,158	10,680,955	(415,330)	47,556,783
Roads	2,424,871	-	-	2,424,871
Equipment	13,010,801	2,713,699	(278,684)	15,445,816
Total Depreciable assets	52,726,830	13,394,654	(694,014)	65,427,470
Less accumulated depreciation for:				
Buildings	24,123,630	562,131	(251,562)	24,434,199
Roads	659,332	73,564	-	732,896
Equipment	8,140,688	1,021,159	(236,946)	8,924,901
Total accumulated depreciation	32,923,650	1,656,854	(488,508)	34,091,996
Total capital assets being depreciated, net	19,803,180	11,737,800	(205,506)	31,335,474

III. DETAIL NOTES OF ALL FUNDS (CONTINUED)

D. Capital Assets (continued)

	June 30, 2022	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2023
Capital assets being amortized:				
Right to use assets:				
Leased equipment	443,462	9,598	(3,041)	450,019
Leased computer equipment	13,944	-	-	13,944
Leased building	149,226	-	-	149,226
IT subscriptions	-	1,577,260	(79,099)	1,498,161
Total capital assets being amortized	606,632	1,586,858	(82,140)	2,111,350
Less accumulated amortization for:				
Right to use assets:				
Leased equipment	97,109	97,215	(2,385)	191,939
Leased computer equipment	2,905	3,486	-	6,391
Leased building	12,436	49,742	-	62,178
IT subscriptions	-	499,733	(79,099)	420,634
Total accumulated amortization	112,450	650,176	(81,484)	681,142
Total capital assets being amortized, net	494,182	936,682	(656)	1,430,208
Total Governmental Activities Capital Assets - net	$ 48,854,828	$ 17,814,156	$ (11,483,887)	$ 55,185,097

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

General government	$ 1,133,483
Public safety	558,132
Human services	254,664
Economic & physical development	87,204
Cultural & recreational	273,547
Total	$ 2,307,030

Business-type activities by type:

	June 30, 2022	Transfers In/ Additions	Transfers Out/ Disposals	June 30, 2023
Non-depreciable assets:				
Land	$ 260,425	$ -	$ -	$ 260,425
Land improvements	135,796	-	-	135,796
Total non-depreciable assets	396,221	-	-	396,221
Depreciable assets:				
Buildings	751,914	-	-	751,914
Equipment	1,028,866	-	(6,495)	1,022,371
Total Depreciable assets	1,780,780	-	(6,495)	1,774,285
Less accumulated depreciation for:				
Buildings	542,617	8,076	-	550,693
Equipment	636,175	45,588	(5,846)	675,917
Total accumulated depreciation	1,178,792	53,664	(5,846)	1,226,610
Depreciable assets - net	601,988	(53,664)	(649)	547,675
Total Business Activities Capital Assets - net	$ 998,209	$ (53,664)	$ (649)	$ 943,896

Depreciation was charged to functions of the business-type activities as follows:

Solid waste	$ 53,664

III. DETAIL NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction commitments

The government has active construction projects as of June 30, 2023. The projects include new construction, renovation, and repairs for Central Carolina Community College, courthouse complex renovations, park improvements, improvements at the Lee County Government Center, and construction of a multi-sports complex. At June 30, 2023, the government's commitments with contractors and vendors are as follows:

Project	Spent-to-date	Remaining Commitment
Courthouse Complex Renovations	$ 5,073,232	$ 305,112
Lee County Government Center Renovations	4,103,028	66,357
Multi-Sports Complex	3,868,140	609,013
CCCC Library/Lee Early College Classroom	8,314,844	210,843
Lee County Government Library	513,558	1,437,812
Bob Hales Recreation Center	332,429	55,867
Historic Courthouse Repairs	13,143	187,061
Kiwanis Children's Park Phase II	30,736	18,664
Temple Park Renovations Phase II	3,075	277,378
	$ 22,252,185	$ 3,168,107

E. Liabilities

Payables

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

	Vendors	Payroll	Other	Total
Governmental activities:				
General	$ 693,042	$ 1,074,557	$ -	$ 1,767,599
Other governmental	963,134	165,692	-	1,128,826
Total governmental activities	$ 1,656,176	$ 1,240,249	$ -	$ 2,896,425
Business-type activities:				
Solid waste management	$ 69,230	$ 26,083	$ 40,148	$ 135,461
Total business-type activities	$ 69,230	$ 26,083	$ 40,148	$ 135,461

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations

1. 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 government entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, 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, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who 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% 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 13.04% of compensation for law enforcement officers and 12.16% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were $2,546,264 for the year ended June 30, 2023.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

1. Local Governmental Employees' Retirement System (Continued)

Refunds of Contributions

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

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

At June 30, 2023, the County reported a liability of $13,454,806 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 coved by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the County's proportion was .2385% (measured as of June 30, 2022), which was an increase of .0156% 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 $4,000,878. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	$ 579,755	$ 56,842
Change of assumptions	1,342,488	-
Net difference between projected and actual earnings on pension plan investments	4,446,954	-
Changes in proportion and differences between County contributions and proportionate share of contributions	453,967	21,340
County contributions subsequent to the measurement date	2,546,264	-
Total governmental activities	$ 9,369,428	$ 78,182

$2,546,264 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 ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	$ 2,165,682
2025	1,850,534
2026	610,155
2027	2,118,611
2028	-
Thereafter	-
	$ 6,744,982

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

1. Local Governmental Employees' Retirement System (Continued)

Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 percent to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses morality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The 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 study as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. 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 estimated of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.00%	0.90%
Global Equity	38.00%	6.50%
Real Estate	8.00%	5.90%
Alternatives	8.00%	8.20%
Credit	7.00%	5.00%
Inflation Protection	6.00%	2.70%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

1. Local Governmental Employees' Retirement System (Continued)

Discount Rate

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

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate

The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate.

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.5%)
County's proportionate share of the net pension liability (asset)	$ 24,284,192	$ 13,454,806	$ 4,530,763

Pension plan fiduciary net position

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

2. 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 the December 31, 2020 valuation date, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	71
Total	77

A separate report was not issued for the plan.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

2. Law Enforcement Officers' Special Separation Allowance (Continued)

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.50 percent per annum
Salary increases	3.25 to 7.75 percent per annum, including inflation and real wage growth factors
Discount rate	4.31 percent per annum, compounded annually

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022.

Mortality rates are based on the following:

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

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

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates are set back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to age 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

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

Contributions

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $130,641 as benefits came due for the reporting period.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

2. Law Enforcement Officers' Special Separation Allowance (Continued)

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

At June 30, 2023, the County reported a total pension liability of $1,965,674. 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 December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of $178,604.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 115,212	$ 227,210
Change of assumptions	373,690	348,246
County benefit payments and plan administrative expenses made subsequent to the measurement date	69,384	-
Total governmental activities	$ 558,286	$ 575,456

The County paid $69,384 in benefit payments subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	$ 40,507
2025	46,697
2026	10,971
2027	(93,944)
2028	(84,699)
Thereafter	(6,086)

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%, as well as what the County's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate.

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	$ 2,130,335	$ 1,965,674	$ 1,816,033

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

3. Supplemental Retirement Income Plan for Law Enforcement Officers (continued)

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

	2023
Beginning balance	$ 2,356,514
Service cost	151,061
Interest	51,552
Difference between expected and actuarial experience	(105,985)
Changes of assumptions and other inputs	(356,827)
Benefit payments	(130,641)
Ending balance of total pension liability	$ 1,965,674

Changes of assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25% at December 31, 2021 to 4.31% at December 31, 2022.

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an experience study completed by the Actuary for the Local Government Employees' Retirement System for the five-year period ending December 31, 2019.

Plan Description

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes 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. Contributions for the year ended June 30, 2023 were $253,251, which consisted of $217,881 from the County and $35,370 from the law enforcement officers. No amounts were forfeited.

4. Supplemental Retirement Income Plan of North Carolina 401(k)

Plan Description

The County contributes to the Supplemental Retirement Income Plan of North Carolina 401(k) (Plan), a defined contribution plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all regular employees not engaged in law enforcement. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

4. Supplemental Retirement Income Plan of North Carolina 401(k) (continued)

Funding Policy

The County contributes each month an amount equal to five percent (5.0%). Also, the employees may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2023 were $939,814, which consisted of $793,108 from the County and $146,706 from employees.

5. Registers of Deeds' Supplemental Pension Fund

Plan Description

The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, 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 (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Registers of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Register of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina, 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 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% 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 $5,662 for the year ended June 30, 2023.

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

At June 30, 2023, the County reported an asset of $74,343 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 updated 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 RODDPF employers. At June 30, 2022, the County's proportion was .562%, which was an increase of .047% from its proportion measured as of June 30, 2021.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

5. Registers of Deeds' Supplemental Pension Fund (Continued)

For the year ended June 30, 2023, the County recognized pension expense of $12,203. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differenced between expected and actual experience	$ 573	$ 1,348
Change of assumptions	3,936	-
Net difference between projected and actual earnings on pension plan investments	30,899	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,292	6,442
County contributions subsequent to the measurement date	5,662	-
Total governmental activities	$ 42,362	$ 7,790

$5,662 reported as deferred outflows of resources related to pension resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2024	7,229
2025	3,624
2026	10,287
2027	7,770
2028	-
Thereafter	-

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	3.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in December 31, 2021valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

5. Registers of Deeds' Supplemental Pension Fund (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100 percent in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as June 30, 2022 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

Discount Rate

The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate of 3.00%, as well as what the County's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate.

	1% Decrease (2.0%)	Discount Rate (3.00%)	1% Increase (4.0%)
County's proportionate share of the net pension liability (asset)	$ (85,691)	$ 74,343	$ (126,528)

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.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

6. 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, 2023, 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:

	LGERS	ROD	LEOSSA	Total
Proportionate Share of Net Pension Liability (Asset)	$ 13,454,806	$ (74,343)	$ -	$ 13,380,463
Proportion of the Net pension Liability (Asset)	0.23850%	0.56150%	N/A	
Total Pension Liability	-	-	1,965,674	2,356,514
Pension Expense	$ 4,000,878	$ 12,203	$ 178,604	$ 1,875,973

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

	LGERS	ROD	LEOSSA	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 579,755	$ 573	$ 115,212	$ 1,252,811
Change of Assumptions	1,342,488	3,936	373,690	2,660,477
Net difference between projected and actual earnings on pension plan investments	4,446,954	30,899	-	-
Changes in proportion and differences between County contributions and proportionate share of contributions	453,967	1,292	-	218,214
County contributions (LGERS, ROD/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	2,546,264	5,662	69,384	2,268,956
Deferred Inflows of Resources				
Differences between expected and actual experience	56,842	1,348	227,210	186,652
Changes in Assumptions	-	-	348,246	70,156
Changes in proportion and differences between County contributions and proportionate share of contributions	21,340	6,442	-	50,921
Net difference between projected and actual earnings on pension plan investments	-	-	-	4,883,931

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

7. Other Post-Employment Benefits (OPEB) – Healthcare Benefits

Plan Description

According to County resolution, the County administers a single-employer defined benefit Healthcare Benefits Plan (HCB Plan). The Board of Commissioners has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

The HCB Plan provides healthcare benefits for retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (LGERS) and have at least 15 years of continuous years of employment with Lee County immediately preceding retirement. Retirees who were hired prior to March 1, 2010 select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Once the retiree becomes covered by Medicare, the retiree is moved to a Medicare Advantage Prescription Drug Plan (MA-PD) fully subsidized by the County. Retirees who were hired after March 1, 2010 are able to select from two pre-65 health plan options; a HSA plan (basic plan) that is fully paid for by the County and also includes an annual contribution to the retirees' Health Spending Account, or a PPO plan that requires monthly contributions from retirees. Coverage ends at the earlier of a retiree reaching age 65, becoming covered under another comparable group medical plan, or becoming entitled to Medicare. The Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

Retirees receiving benefits	118
Active plan members	364
Total	482

Total OPEB Liability

The County's total OPEB liability of $19,492,220 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 measurements unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	3.25 percent – 8.41 percent
Discount rate	
Prior measurement date	2.16 percent
Measurement date	3.54 percent
Healthcare cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare Medical and Prescription Drug	5.125% for 2022 decreasing to an ultimate rate of 4.50% by 2025

The discount rate is a Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by The Bond Buyer.

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

7. Other Post-Employment Benefits (OPEB) – Healthcare Benefits(Continued)

Total OPEB Liability as of June 30, 2021	$ 35,468,051
Changes for the year:	
Service cost	988,531
Interest	780,474
Change in benefit terms	(412)
Difference between expected and actual experience	(13,103,872)
Changes of assumptions or other inputs	(3,990,049)
Benefit payments and implicit subsidy credit	(650,503)
Net changes	(15,975,831)
Total OPEB Liability as of June 30, 2022	$ 19,492,220

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54% due to a change in the Municipal Bond Rate and changes in the healthcare cost trend rates.

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 – December 31, 2019, adopted by the LGERS Board.

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

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the County, determined using the discount rate of 3.54%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54 percent) or 1-percentage point higher (4.54 percent) than the current discount rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (44.54%)
Total OPEB liability	$ 22,550,113	$ 19,492,220	$ 17,006,616

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the County, determined using current healthcare cost trend rates, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 16,797,366	$ 19,492,220	$ 22,855,685

III. DETAIL NOTES ON ALL FUNDS (Continued)

F. Pension Plan and Other Post-Employment Obligations (Continued)

7. Other Post-Employment Benefits (OPEB) – Healthcare Benefits(Continued)

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 revenue of $462,591. 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
Difference between expected and actual experience	$ 253,280	$ 11,492,451
Change of assumptions	4,647,518	4,076,401
County benefit payments and plan administrative expenses made subsequent to the measurement date	588,818	-
Total governmental activities	$ 5,489,616	$ 15,568,852

$588,818 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 in the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	$ (2,066,109)
2025	(1,725,661)
2026	(1,735,919)
2027	(2,161,377)
2028	(2,781,859)
Thereafter	(197,129)

G. Deferred Compensation Plan

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans available to all County employees permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participation in the plan is at the option of the employee.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan be held in trust for the exclusive benefit of the participants and their beneficiaries. In accordance with GASB Statement 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans*, the County's Deferred Compensation Plans are not reported as County agency funds.

III. DETAIL NOTES ON ALL FUNDS (Continued)

H. Other Employment Benefits

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

The County has also elected to provide enrollment in additional term life and accidental death and dismemberment insurance to employees. The plan, which is available to all County employees who work 40 hours or more per week, is valued at $50,000. Employees may elect to purchase additional coverage for themselves or their dependents at additional cost. Any benefit elections purchased in excess of $50,000 are considered taxable to the employee as a fringe benefit.

I. Closure Costs - Lee County Landfill Facility

Due to State and federal laws and regulations, the County chose to stop accepting substantially all waste at its landfill and placed a final cover on the site; however, the County continued to accept a limited amount of waste, primarily construction and demolition materials until June 30, 2008. The County is placing a final cover on the construction and demolition site. The County is required to perform certain maintenance and monitoring functions at the site as part of the closure, but it is not subject to the financial assurance rule. Although closure costs are paid after the date the landfill stopped accepting waste, the County reports a portion of these closure costs as an operating expense in each period based on the life of the landfill. The total cost of closure is estimated to be $854,553; $814,405 has been incurred as of June 30, 2023 and the remaining $40,148 is reported as liability within the Solid Waste Management Fund at June 30, 2023. These amounts are based on what it would cost to perform all necessary closure and monitoring; however, actual costs may be higher due to inflation, changes in technology or changes in regulations.

J. Contingent Liabilities

The County has elected to pay the direct cost of employment security benefits in lieu of employment security taxes on the payroll. A liability for benefit payments could accrue in the year following discharge of employees.

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. The amount, if any, of such refunds cannot be determined at this time although management believes that such amounts would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant funds.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

III. DETAIL NOTES ON ALL FUNDS (Continued)

K. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners Joint Risk Management Agency. Through these pools, the County obtains property coverage equal to the replacement cost of owned property subject to total insured values, with sub-limits on coverage for specified perils; general, auto, professional, employment practices, and law enforcement liability coverage of $2 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 statutory limits. All property coverage and some liability coverage are subject to per occurrence deductibles, as selected by the County. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of $750,000, up to a $2 million limit for liability coverage, and single occurrence losses in excess of $750,000 for workers' compensation. Through the captive, the Liability and Property Pool is reinsured for $2,000,000 of annual aggregate losses in excess of $500,000 per occurrence for property, auto physical damage and crime coverage, with additional limits of $998 million purchased through a group of commercial carriers through the multi-state public entity captive. The County provides employee health benefits through a self-insured plan provided by BCBSNC. Claims are administered and paid directly from the plan by BCBSNC. Specific stop-loss is set at $150,000 per individual health insurance claim with an unlimited lifetime maximum. Aggregate stop-loss is set at the level of 125% with a minimum aggregate attachment point of $3,403,166 and a contract period maximum of $3,781,295.

In accordance with G.S. 159-29, the County's employees that have access to $100 or more at any given time of the County's funds are performance bonded through commercial crime coverage with a $250,000 occurrence limit. The Finance Director is bonded for $1,000,000. The Tax Collector is bonded for $100,000.

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 commercial insurance coverage in any of the last three fiscal years.

L. Long-Term Obligations

1. Leases

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

The County's leases payable at June 30, 2023, are comprised of the following individual leases:

On July 1, 2021, the County entered into a 26-month lease as Lessee for the use of a postage meter. An initial lease liability was recorded in the amount of $1,810. As of June 30, 2023, the value of the lease liability is $0. Lee County is required to make quarterly fixed payments of $228. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2023 of $1,810 with accumulated amortization of $1,632 is included with Equipment on the Lease Class activities table found below.

On September 1, 2021, the County entered into a 48-month lease as Lessee for the use of computer equipment. An initial lease liability was recorded in the amount of $13,944. As of June 30, 2023, the value of the lease liability is $6,972. Lee County is required to make annual fixed payments of $3,529. The lease has an interest rate of 0.8300%. The value of the right to use asset as of June 30, 2023 of $13,944 with accumulated amortization of $6,391 is included with Computer Equipment on the Lease Class activities table found below.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (continued)

1. Leases (continued)

On July 1, 2022, the County entered into a 55-month lease as Lessee for the use of a postage meter. An initial lease liability was recorded in the amount of $20,459. As of June 30, 2023, the value of the lease liability is $11,469. Lee County is required to make quarterly fixed payments of $1,164. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2023 of $20,459 with accumulated amortization of $8,874 is included with Equipment on the Lease Class activities table found below.

On July 1, 2021, the County entered into a 55-month lease as Lessee for the use of a postage meter. An initial lease liability was recorded in the amount of $4,316. As of June 30, 2023, the value of the lease liability is $2,420. Lee County is required to make quarterly fixed payments of $245. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2023 of $4,316 with accumulated amortization of $1,872 is included with Equipment on the Lease Class activities table found below.

On July 1, 2021, the County entered into a 55-month lease as Lessee for the use of multifunction copiers. An initial lease liability was recorded in the amount of $413,836. As of June 30, 2023, the value of the lease liability is $235,657. Lee County is required to make monthly fixed payments of $7,710. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2023 of $413,836 with accumulated amortization of $178,313 is included with Equipment on the Lease Class activities table found below.

On April 1, 2022, the County entered into a 36-month lease as Lessee for the use of a building. An initial lease liability was recorded in the amount of $149,226. As of June 30, 2023, the value of the lease liability is $87,049. Lee County is required to make monthly fixed payments of $3,183. Additionally, there are monthly other reasonably certain payments of $962. The lease has an interest rate of 0.0000%. The value of the right to use asset as of June 30, 2023 of $149,226 with accumulated amortization of $62,178 is included with Buildings on the Lease Class activities table found below.

On November 7, 2022, the County entered into a 60-month lease as Lessee for the use of a postage meter. An initial lease liability was recorded in the amount of $9,598. As of June 30, 2023, the value of the lease liability is $8,166. Lee County is required to make monthly fixed payments of $486. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2023 of $9,598 with accumulated amortization of $1,248 is included with Equipment on the Lease Class activities table found below.

Amount of Lease Assets by Major Classes of Underlying Assets

	As of June 30, 2023	
Asset Class	Lease Asset	Accumulated Amortization
Buildings	$ 149,226	$ 62,178
Computer equipment	13,944	6,391
Equipment	450,019	191,939
Total Leases	$ 613,189	$ 260,508

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

1. Leases (Continued)

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

	Governmental Activities		
Year Ending June 30	Principal Payments	Interest Payments	Total Payments
2024	$ 151,089	$ 2,279	$ 153,368
2025	139,713	1,219	140,932
2026	58,510	220	58,730
2027	1,935	9	1,944
2028	485	1	486
	$ 351,732	$ 3,728	$ 355,460

2. 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. Principal and interest payments are appropriated when due. In the event of a default, the County agrees to pay to the Purchaser, on demand, interest on any and all amounts due and owing by the County under this agreement.

The County's general obligation bonds payable at June 30, 2023 is comprised of the following issue:

Serviced by the General Fund:

2017 Community College Bonds due in periodic installments of $1,150,000 beginning April 1, 2018 through April 1, 2037; interest at 3.00% to 5.00%	$ 16,100,000

The County issued General Obligation Bonds for which the County does not hold title to the capital assets. The bonds were issued for community college construction and renovation projects. The amount of outstanding debt at June 30, 2023 for which the County held no collateral totaled $16,100,000.

At June 30, 2023, the County has bonds authorized but unissued of $25,000,000.

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

Year Ending June 30,	Principal	Interest
2024	$ 1,150,000	$ 576,438
2025	1,150,000	518,938
2026	1,150,000	461,438
2027	1,150,000	403,938
2028	1,150,000	346,438
2029-2033	5,750,000	1,214,688
2034-2038	4,600,000	350,750
Total	$ 16,100,000	$ 3,872,628

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

3. Limited Obligation Bonds

The County's Limited Obligation Bonds consisted of the following at June 30, 2023:

$30,095,000 Limited obligation bonds, Series 2018 issued May 2018; interest at 3.00% to 5.00%; due serially to 2037. Proceeds used for the construction of an elementary school, park improvements and renovations to the court house complex; collateralized by real estate	$ 24,470,000
$7,619,000 Limited obligation bonds, Series 2023 issued May 2023; interest at 4.09%; due serially to 2043. Maturities ranges from $380,000 to $381,000. Proceeds used to refinance an existing Installment Financing Agreement for acquisition of property and existing facilities to be used by Central Carolina Community College as well as to pay for costs of additional improvements including a new Truck Driver Training Facility and pay certain financing costs incurred; collateralized by real estate	7,619,000
Total Limited Obligation Bonds	$ 32,089,000

The County's outstanding limited obligation bonds related to governmental activities of $32,089,000 is secured by real estate. The loan contains provisions that an event of default could (a) declare all payments under the Trust Agreement immediately due and payable (b) 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 (c) exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the premises without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, lease, sublease or other disposition , after deducting all cost and expenses, including court costs and attorneys' fees incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition, toward the balance due under the contract and , thereafter, shall pay any remaining proceeds to the County (d) direct the Deed of Trust trustee to institute foreclosure proceedings and sell the property.

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

Year Ending June 30,	Principal	Interest
2024	$ 1,506,000	$ 1,395,120
2025	1,506,000	1,305,109
2026	2,086,000	1,233,276
2027	2,086,000	1,132,443
2028	2,091,000	1,031,611
2029-2033	10,455,000	3,676,009
2034-2038	10,455,000	1,587,124
2039-2043	1,904,000	233,539
Total	$ 32,089,000	$ 11,594,231

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

4. Subscriptions

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.

Subscriptions in affect at the end of the prior fiscal year had their assets and liabilities initially measured at the present value of the subscription payments expected over the remaining term of the Subscription after July 1, 2022. The commitments, stated below, are for a subscription that has a commencement date subsequent to the reporting date:

On 07/01/2022, Lee County, NC entered into a 30 month subscription for the use of Carolina Advanced Digital. An initial subscription liability was recorded in the amount of $1,291. As of 06/30/2023, the value of the subscription liability is $668. Lee County, NC is required to make annual fixed payments of $681. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of 06/30/2023 of $1,291 with accumulated amortization of $516 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 12 month subscription for the use of Information - Data Sheets Application. An initial subscription liability was recorded in the amount of $45,522. As of 06/30/2023, the value of the subscription liability is $0. Lee County, NC is required to make monthly fixed payments of $3,823. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $0 with accumulated amortization of $0 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 36 month subscription for the use of Davenport- Software. An initial subscription liability was recorded in the amount of $92,092. As of 06/30/2023, the value of the subscription liability is $60,729. Lee County, NC is required to make annual fixed payments of $31,363. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $92,092 with accumulated amortization of $30,697 is included with IT subscriptions on the Capital Asset table above.

On 07/01/2022, Lee County, NC entered into a 12 month subscription for the use of Stanley # 208019. An initial subscription liability was recorded in the amount of $21,670. As of 06/30/2023, the value of the subscription liability is $0. Lee County, NC is required to make monthly fixed payments of $1,820. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $0 with accumulated amortization of $0 iis included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 40 month subscription for the use of Revize - Software. An initial subscription liability was recorded in the amount of $28,835. As of 06/30/2023, the value of the subscription liability is $19,170. Lee County, NC is required to make annual fixed payments of $9,900. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $28,835 with accumulated amortization of $8,551 is included with IT subscriptions on the Capital Asset table above.

On 07/01/2022, Lee County, NC entered into a 12 month subscription for the use of PSA - CareWorks. An initial subscription liability was recorded in the amount of $11,907. As of 06/30/2023, the value of the subscription liability is $0. Lee County, NC is required to make monthly fixed payments of $1,000. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $0 with accumulated amortization of $0 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

4. Subscriptions (continued)

On 07/01/2022, Lee County, NC entered into a 26 month subscription for the use of Onsolve - Software. An initial subscription liability was recorded in the amount of $16,783. As of 06/30/2023, the value of the subscription liability is $8,357. Lee County, NC is required to make annual fixed payments of $8,500. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $16,783 with accumulated amortization of $7,552 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 24 month subscription for the use of Granicus - Software. An initial subscription liability was recorded in the amount of $17,559. As of 06/30/2023, the value of the subscription liability is $8,491. Lee County, NC is required to make annual fixed payments of $9,068. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $17,559 with accumulated amortization of $8,780 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 72 month subscription for the use of Election Systems - Software. An initial subscription liability was recorded in the amount of $61,417. As of 06/30/2023, the value of the subscription liability is $50,742. Lee County, NC is required to make annual fixed payments of $10,675. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $61,417 with accumulated amortization of $10,236 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 5 extension option(s), each for 12 months.

On 07/01/2022, Lee County, NC entered into a 35 month subscription for the use of DebtBook - Audit Software. An initial subscription liability was recorded in the amount of $14,523. As of 06/30/2023, the value of the subscription liability is $7,340. Lee County, NC is required to make annual fixed payments of $7,500. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $14,523 with accumulated amortization of $4,979 is inis included with IT subscriptions on the Capital Asset table above.

On 07/01/2022, Lee County, NC entered into a 24 month subscription for the use of CureMD - EHR Software. An initial subscription liability was recorded in the amount of $24,203. As of 06/30/2023, the value of the subscription liability is $11,999. Lee County, NC is required to make annual fixed payments of $12,204. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $24,203 with accumulated amortization of $12,101 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 11/01/2022, Lee County, NC entered into a 24 month subscription for the use of Tyler MUNIS Tax. An initial subscription liability was recorded in the amount of $64,233. As of 06/30/2023, the value of the subscription liability is $32,116. Lee County, NC is required to make annual fixed payments of $32,116. The subscription has an interest rate of 0.0000%. The value of the right to use asset as of 06/30/2023 of $64,233 with accumulated amortization of $21,411 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 09/05/2022, Lee County, NC entered into a 24 month subscription for the use of Tyler MUNIS Finance. An initial subscription liability was recorded in the amount of $227,525. As of 06/30/2023, the value of the subscription liability is $151,683. Lee County, NC is required to make annual fixed payments of $75,842. The subscription has an interest rate of 0.0000%. The value of the right to use asset as of 06/30/2023 of $227,525 with accumulated amortization of $93,279 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

4. Subscriptions (continued)

On 02/15/2023, Lee County, NC entered into a 36 month subscription for the use of GoDaddy # 2472890013. An initial subscription liability was recorded in the amount of $614. As of 06/30/2023, the value of the subscription liability is $404. Lee County, NC is required to make annual fixed payments of $210. The subscription has an interest rate of 2.6560%. The value of the right to use asset as of 06/30/2023 of $614 with accumulated amortization of $77 is included with IT subscriptions on the Capital Asset table above.

On 08/01/2022, Lee County, NC entered into a 24 month subscription for the use of Central Security - Galaxy Software. An initial subscription liability was recorded in the amount of $1,231. As of 06/30/2023, the value of the subscription liability is $631. Lee County, NC is required to make annual fixed payments of $642. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $1,231 with accumulated amortization of $564 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 02/19/2023, Lee County, NC entered into a 24 month subscription for the use of Adobe - Creative Cloud - Admin. An initial subscription liability was recorded in the amount of $1,183. As of 06/30/2023, the value of the subscription liability is $583. Lee County, NC is required to make annual fixed payments of $600. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $1,183 with accumulated amortization of $217 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 02/01/2023, Lee County, NC entered into a 24 month subscription for the use of Encore - Software. An initial subscription liability was recorded in the amount of $25,832. As of 06/30/2023, the value of the subscription liability is $12,732. Lee County, NC is required to make annual fixed payments of $13,100. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $25,832 with accumulated amortization of $5,382 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 01/10/2023, Lee County, NC entered into a 72 month subscription for the use of Vessel Valuation System. An initial subscription liability was recorded in the amount of $7,009. As of 06/30/2023, the value of the subscription liability is $5,763. Lee County, NC is required to make annual fixed payments of $1,255. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $7,009 with accumulated amortization of $555 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 5 extension option(s), each for 12 months.

On 09/22/2022, Lee County, NC entered into a 36 month subscription for the use of Spatialest - Software. An initial subscription liability was recorded in the amount of $37,438. As of 06/30/2023, the value of the subscription liability is $24,688. Lee County, NC is required to make annual fixed payments of $12,750. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $42,438 with accumulated amortization of $10,963 is included with IT subscriptions on the Capital Asset table above.

On 03/21/2023, Lee County, NC entered into a 24 month subscription for the use of Adobe - Third Party. An initial subscription liability was recorded in the amount of $12,054. As of 06/30/2023, the value of the subscription liability is $5,941. Lee County, NC is required to make annual fixed payments of $6,113. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $12,054 with accumulated amortization of $1,674 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 10/01/2022, Lee County, NC entered into a 36 month subscription for the use of LiftOff - Software. An initial subscription liability was recorded in the amount of $716,319. As of 06/30/2023, the value of the subscription liability is $531,395. Lee County, NC is required to make annual fixed payments of $184,924. The subscription has an interest rate of 2.1840%. The value of the right to use asset as of 06/30/2023 of $716,319 with accumulated amortization of $175,664 is included with IT subscriptions on the Capital Asset table above.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

4. Subscriptions (continued)

On 03/18/2023, Lee County, NC entered into a 24 month subscription for the use of Faronics # 00223038. An initial subscription liability was recorded in the amount of $3,831. As of 06/30/2023, the value of the subscription liability is $1,888. Lee County, NC is required to make annual fixed payments of $1,943. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $3,831 with accumulated amortization of $548 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 12/22/2022, Lee County, NC entered into a 24 month subscription for the use of ESRI # 26106442. An initial subscription liability was recorded in the amount of $3,509. As of 06/30/2023, the value of the subscription liability is $1,741. Lee County, NC is required to make annual fixed payments of $1,796. The subscription has an interest rate of 3.1440%. The value of the right to use asset as of 06/30/2023 of $3,509 with accumulated amortization of $921 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 11/28/2022, Lee County, NC entered into a 24 month subscription for the use of Cellebrite. An initial subscription liability was recorded in the amount of $15,128. As of 06/30/2023, the value of the subscription liability is $7,703. Lee County, NC is required to make annual fixed payments of $7,945. The subscription has an interest rate of 3.1440%. The value of the right to use asset as of 06/30/2023 of $15,178 with accumulated amortization of $4,490 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 08/02/2022, Lee County, NC entered into a 24 month subscription for the use of CDW - Trend Micro. An initial subscription liability was recorded in the amount of $8,010. As of 06/30/2023, the value of the subscription liability is $4,107. Lee County, NC is required to make annual fixed payments of $4,177. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $8,010 with accumulated amortization of $3,660 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 08/02/2022, Lee County, NC entered into a 24 month subscription for the use of CDW KnowBe4. An initial subscription liability was recorded in the amount of $9,005. As of 06/30/2023, the value of the subscription liability is $4,464. Lee County, NC is required to make annual fixed payments of $4,541. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $9,005 with accumulated amortization of $4,115 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 08/04/2022, Lee County, NC entered into a 24 month subscription for the use of CAVS - Software. An initial subscription liability was recorded in the amount of $5,940. As of 06/30/2023, the value of the subscription liability is $2,945. Lee County, NC is required to make annual fixed payments of $2,995. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $5,940 with accumulated amortization of $2,698 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 02/15/2023, Lee County, NC entered into a 24 month subscription for the use of Canva - Software. An initial subscription liability was recorded in the amount of $237. As of 06/30/2023, the value of the subscription liability is $117. Lee County, NC is required to make annual fixed payments of $120. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $237 with accumulated amortization of $45 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 02/20/2023, Lee County, NC entered into a 24 month subscription for the use of CalTopo - Software. An initial subscription liability was recorded in the amount of $3,944. As of 06/30/2023, the value of the subscription liability is $1,944. Lee County, NC is required to make annual fixed payments of $2,000. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $3,944 with accumulated amortization of $718 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

4. Subscriptions (continued)

On 02/01/2023, Lee County, NC entered into a 72 month subscription for the use of Axon - Body Cameras. An initial subscription liability was recorded in the amount of $82,964. As of 06/30/2023, the value of the subscription liability is $68,132. Lee County, NC is required to make annual fixed payments of $14,832. The subscription has an interest rate of 2.8940%. The value of the right to use asset as of 06/30/2023 of $82,964 with accumulated amortization of $5,761 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 60 months.

On 08/01/2022, Lee County, NC entered into a 24 month subscription for the use of Atcom. An initial subscription liability was recorded in the amount of $3,232. As of 06/30/2023, the value of the subscription liability is $1,657. Lee County, NC is required to make annual fixed payments of $1,685. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $3,232 with accumulated amortization of $1,481 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

On 08/30/2022, Lee County, NC entered into a 24 month subscription for the use of Jury - Software. An initial subscription liability was recorded in the amount of $7,171. As of 06/30/2023, the value of the subscription liability is $3,555. Lee County, NC is required to make annual fixed payments of $3,616. The subscription has an interest rate of 1.7100%. The value of the right to use asset as of 06/30/2023 of $7,171 with accumulated amortization of $2,998 is included with IT subscriptions on the Capital Asset table above. Lee County, NC has 1 extension option(s), each for 12 months.

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

	Governmental Activities		
Year Ending June 30	Principal Payments	Interest Payments	Total Payments
2024	$ 444,204	$ 18,888	$ 463,092
2025	330,335	11,415	341,750
2026	205,885	5,801	211,686
2027	25,514	1,248	26,762
2028	25,747	632	26,379
	$ 1,031,685	$ 37,984	$ 1,069,669

5. Other Long-Term Obligations

The County has executed various other long-term obligations including Qualified School Construction Bonds, Qualified Zone Academy Bonds, certificates of participation, and private placement loans for the purpose of property acquisition and construction.

As authorized by state law G.S. 160A-20 and 153A-158.1, the County has financed a portion of these property acquisitions in direct placements for use by the Lee County Board of Education and Central Carolina Community College. The installment purchases were issued pursuant to a deed of trust that requires that legal title remain with the County as long as the debt is outstanding because the property is pledged as collateral for the debt. The County has entered into leases with the Lee County Board of Education and the Central Carolina Community College Board of Trustees that transfer the rights and responsibilities for maintenance and insurance of the property to the Board of Education and/or the Board of Trustees. The lease term is the same as that of the installment purchase obligation. Due to the economic substance of the transaction, the capital assets associated with the installment purchase obligations are recorded by the Board of Education or Board of Trustees.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

5. Other Long-Term Obligations (continued)

Other long-term debt payables by the County at June 30, 2023 is comprised of the following individual issues:

Serviced by the General Fund:
Direct Placement Debt:

$17,022,000 Advanced refunding certificates of participation, Series 2012 issued in May 2012; interest at 2.28%; due serially until 2024. Proceeds used for the construction of high school and an emergency services training center; collateralized by real estate and a school building	$	1,625,000
$15,235,000 Refunding certificates of participation, Series 2020 issued in November 2020; interest at 1.75%; due serially until 2028. Proceeds used to construct a middle school, renovations and repairs for community college facilities, and park construction; collateralized by real estate and a school building.		10,250,000
$6,678,064 Qualified School Construction Bonds (QSCB) issued May 2010; due serially beginning in 2020 and ending in 2025 with interest at 6.40%; collateralized by real estate including a school building; the QSCB permits a subsidy to the County at 5.43%. Due to federal government sequestration, the amount of interest credit received has been reduced by 6.2%.		3,390,564
$4,000,000 Qualified Zone Academy Bonds (QZAB) issued in May 2010; due serially beginning in 2020 and ending in 2024 with interest at 6.4%; collateralized by real estate including a school building; the QZAB permits a subsidy to the County at 5.43%. Due to federal government sequestration the amount of interest credit received has been reduced by 6.2%		712,500
$8,250,000 Installment financing agreement, issued in June 2020; interest at 1.03%; due serially until 2030. Proceeds used for economic development incentive and for repairs and renovations to the Lee County Government Center and the Lee County Court Complex; collateralized by real estate and a school building.		5,775,000
$3,625,000 Installment financing agreement, issued in June 2022; interest at 0.00%, due monthly until 2026; collateralized by real estate. Proceeds used to purchase real estate.		2,718,750
Total direct placement	$	24,471,814

The County's outstanding notes from direct placement contain provisions that an event of default could (a) declare the unpaid portion of the principal components of installment payments immediately due and payable without notice or demand to the County; (b) 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; (c) exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the premises without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, lease, sublease or other disposition , after deducting all cost and expenses, including court costs and attorneys' fees incurred with the recovery, repair, storage and other sale, lease ,sublease or other disposition, toward the balance due under the contract and, thereafter, shall pay any remaining proceeds to the County (d) direct the Deed of Trust trustee to institute foreclosure proceedings and sell the property.

III. DETAIL NOTES ON ALL FUNDS (Continued)

L. Long-Term Obligations (Continued)

5. Other Long-Term Obligations (Continued)

Annual debt service requirements to maturity for the County's other long-term obligation bonds, certificates of participation and loans are as follows:

Year Ending June 30,	Principal	Interest
2024	$ 6,752,250	$ 538,504
2025	6,293,314	348,617
2026	3,926,250	154,401
2027	2,950,000	107,490
2028	2,900,000	61,806
2029-2033	1,650,000	25,493
Total	$ 24,471,814	$ 1,236,311

6. Long-Term Obligation Activity

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

	Balance July, 2022	Additions	Retirements	Balance June 30, 2023	Current portion of balance
Governmental Activities					
General obligation debt	$ 17,250,000	$ -	$ 1,150,000	$ 16,100,000	$ 1,150,000
Plus: Premium on insurance	1,269,212	-	84,614	1,184,598	NA
Total general obligation bonds payable	18,519,212	-	1,234,614	17,284,598	1,150,000
Limited obligation bonds	25,595,000	7,619,000	1,125,000	32,089,000	1,506,000
Plus: Premium on insurance	2,493,705	-	155,856	2,337,849	NA
Total limited obligation bonds payable	28,088,705	-	1,280,856	34,426,849	1,506,000
Lease liabilities	493,634	9,598	151,500	351,732	-
IT Subscription liabilities	-	1,572,210	540,525	1,031,685	444,204
Other long-term obligations:					
Direct placement obligations	38,525,917	-	14,054,103	24,471,814	6,752,250
Net pension liability (LGERS)	3,377,900	9,918,139	-	13,296,039	-
Total pension liability (LEOSSA)	2,356,514	-	390,840	1,965,674	-
Net OPEB liability	35,081,450	-	15,801,695	19,279,755	-
Compensated absences	2,122,100	2,575,776	2,222,338	2,475,538	2,000,000
Total Governmental activities	$ 128,565,432	$ 14,075,723	$ 35,676,471	$ 114,583,684	$ 11,852,454
Business-type activities					
Note Payable	$ 326,749	$ -	$ 326,749	$ -	$ -
Net Pension liability (LGERS)	40,332	118,432	-	158,764	-
Net OPEB liability	386,601	-	174,137	212,464	-
Compensated absences	22,900	13,214	24,335	11,779	10,000
Total business-type activities	$ 776,582	$ 131,646	$ 525,221	$ 383,007	$ 10,000

Compensated absences, net pension liability, total pension liability and net other postemployment liability for governmental activities are all typically liquidated in the General Fund. Compensated absences are account for on a last in first out basis, assuming that employees are taking leave time as it is earned.

The legal debt margin is governed by North Carolina G.S. 159-55. The net debt of the unit should not exceed 8% of the appraised value of property subject to taxation. As of June 30, 2023, Lee County has a legal debt margin of $476,552,641

III. DETAIL NOTES ON ALL FUNDS (Continued)

M. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	$ 55,185,097	$ 943,896
Total debt	77,566,678	-
Debt not related to capital assets	(61,579,413)	-
Capital related unspent debt proceeds	(1,677,320)	-
Unamortized asset related to capital assets	(41,508)	-
Unamortized premium related to capital assets	356,924	-
Total capital debt	14,625,361	-
Net investment in capital assets	$ 40,559,736	$ 943,896

N. Fund Balance

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

Total fund balance – General Fund (Exhibit 3)	$ 42,438,201
Less:	
Nonspendable for Leases	1,623
Restricted for Stabilization by State Statute	12,870,064
Restricted for Register of Deeds	394,020
Committed for Public Safety	481,016
Committed for Human Services	939,713
Committed for LEO Special Separation Allowance	4,548
Assigned for Subsequent year's expenditures	3,000,000
Working Capital/Fund Balance Policy	24,747,217
Remaining Fund Balance	$ -

The County has adopted a minimum fund balance policy for the General Fund which 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 24% of budgeted expenditures. The County's financial policy also directs management to strive to reach an available fund balance level of 32% of budgeted expenditures. Amounts in excess of that will be transferred to a capital reserve fund to provide equity resources to fund the County's capital improvement plan.

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. Outstanding encumbrances in the governmental funds at June 30, 2023 were as follows:

General Fund	$ 320,147
American Rescue Plan Fund	140,389
Multi-Sports Complex Fund	609,013
Non-major Governmental Funds	2,564,410
Solid Waste Management Fund	-

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Joint Ventures

The County, in conjunction with ten other county governments (Anson, Davidson, Guilford, Harnett, Hoke, Montgomery, Moore, Randolph, Richmond, and Rockingham) participates in a joint venture to operate The Sandhills Center for Mental Health, Developmental Disabilities, and Substance Abuse Services (Center). The Center operates units in each of the counties to provide services to residents who are in need of assistance for either mental health, developmental disabilities, or alcohol or drug-related problems. Each participating government appoints members to the Center's twenty-six-member governing board, with Lee County appointing two. The County has an ongoing financial responsibility for the joint venture because the Center's continued existence depends on the participating governments' continued funding. The County contributed $240,000 to the Center during the fiscal year ended June 30, 2023. None of the participating governments has any equity interest in the Center, so no equity interest has been reflected in the financial statements at June 30, 2023. Complete financial statements for the Center can be obtained from the Center's office in West End, North Carolina 27376.

The County, in conjunction with the City of Sanford, participates in the Sanford-Lee County Regional Airport Authority. Each participating government appoints three members of the six-member board. The Airport Authority is a joint venture established to facilitate economic expansion within the County and improve the quality of life for its citizens. The County has an ongoing financial responsibility for the Airport because it and the City are legally obligated under the intergovernmental agreement that created the Airport to honor any deficiencies in the event that proceeds from other default remedies are insufficient. Financing sources for the annual operating budget of the airport are provided by the County and the City of Sanford. The construction costs for airport improvement projects that are not funded by federal and State grants are financed by the County and the City equally. The County did not contribute any funds to the Airport for operations during the fiscal year ended June 30, 2023. On October 29, 2015, the County loaned the Airport Authority $650,000 which will be paid in semi-annual installments over a period of 15 years. On July 15, 2019, the County's Revolving Loan Fund loaned the Airport Authority $400,000 which will be repaid in fifty-eight monthly installments. The participating governments do not have any equity interest in the joint venture, so no equity interest has been reflected in the financial statements at June 30, 2023. Complete financial statements for the Airport can be obtained from the Airport's administrative office at 3000 Airport Road, Sanford, NC 27330.

The County, in conjunction with the State of North Carolina, the Lee County Board of Education and the counties of Chatham and Harnett, participate in a joint venture to operate the Central Carolina Community College. Lee County and the State each appoint four members of the seventeen-member board of trustees of the community college. The Boards of Education for Chatham, Harnett and Lee jointly appoint four members to the board of trustees. The counties of Chatham and Harnett each appoint two members to the board of trustees, and the president of the community college's student government serves as an ex-officio nonvoting member of the community college's 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 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 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 $4,464,045 to the community college for operating purposes and $100,000 for capital outlay purposes during the fiscal year ended June 30, 2023. In addition, the County contributed $64,930 to the operation of the Civic Center that is operated by the community college. 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 as of June 30, 2023. Complete financial statements for the community college may be obtained from the community college's business office at 1105 Kelly Drive, Sanford, NC 27330.

III. DETAIL NOTES ON ALL FUNDS (Continued)

O. Joint Ventures (Continued)

The County, in conjunction with the City of Sanford, the Town of Broadway, and the Sanford Chamber of Commerce, participates in the Sanford-Lee County Partnership for Prosperity, Inc. Lee County appoints three members to the twenty-nine-member board. The Partnership for Prosperity is a joint venture established to facilitate economic expansion within the County. The County has an ongoing financial responsibility for the Corporation because the Corporation's continued existence depends on the participating governments' continued funding. The County contributed $381,520 to the Partnership during the fiscal year ended June 30, 2023. None of the participating governments has any equity interest in the Corporation, so no equity interest has been reflected in the financial statements at June 30, 2023. Financial reports for the Corporation can be obtained from the Corporation's administrative office at 115 Chatham Street, Sanford, NC 27330.

P. Jointly Governed Organization

The County, in conjunction with four other counties and twenty municipalities established the Triangle J Council of Governments (Council). The participating governments established the Council to coordinate certain 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 $12,443 to the Council during the fiscal year ended June 30, 2023.

Q. Supplemental and Additional One-Half of One Percent Local Government Sales and Use Taxes

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County use a portion of the proceeds of its supplemental and additional supplemental sales taxes, or local option sales taxes for public school capital outlays or to retire public school indebtedness. During the fiscal year ended June 30, 2023, the County reported these local option sales taxes within its General Fund. The County expended the restricted portion of these taxes for funding of debt service of school capital outlay.

R. 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 moneys 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 moneys.

S. Conduit Debt Obligations

Lee County Industrial Facility and Pollution Control Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by 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. Four series of industrial revenue bonds were outstanding as of June 30, 2023. The original issue amount of such bonds totaled $15,650,000. The amount of conduit debt outstanding at June 30, 2023 was not determinable and could not be reasonably estimated.

III. DETAIL NOTES ON ALL FUNDS (Continued)

T. Interfund Balances and Activity

Transfers From/To Other Funds

Transfers to/from other funds at June 30, 2023 are summarized below:

From the General Fund to:

The Capital Projects Outlay Fund to accumulate resources for future capital projects.	$	2,820,387
The LCGC Renovations Fund to fund the waterproofing project at the Employee Wellness Clinic.		86,100
The Bob Hales Recreation Center Fund to fund to fund HVAC replacement/additions at the recreation center.		416,000
The Temple Park Fund to fund Phase II improvements.		310,000
The Lee County Government Library Fund to fund a Commissioner meeting room.		2,000,000
The ARPA Fund to cover expenses.		125,000
Total transfers out from the General Fund		5,757,487

From nonmajor governmental funds to:

The General Fund from the Fire Districts Fund to cover Fire Marshal operating expenses.		353,698
Total transfers out from nonmajor governmental funds		353,698
Total	$	6,111,185

Interfund balances at June 30, 2023 are summarized below:

Due from the Multi-Sports Complex Fund to the General Fund to cover deficit cash balances until loan proceeds are received for the project.	$	3,535,270
Due from the CCCC Library / Lee Early College Classroom Facility Fund to the General Fund to cover deficit cash balance until loan proceeds are received for the project.		681,031
Total	$	4,216,301

IV. <u>Summary Disclosure of Significant Contingencies</u>

Federal and State Assisted Programs

The County has received proceeds from several federal and State grants. Perioidic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audit scould result in the refund of grant monies to 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.

V. <u>Special Item</u>

The City of Sanford forgave a loan with the County for a water system expansion on North Plank Road in the amount of $326,749.

VI. <u>Significant Effects of Subsequent Events</u>

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 14, 2023, the date the financial statements were available to be issued. Since fiscal year ended June 30, 2023, the County has issued General Obligation Parks and Recreation Bonds in the amount of $25,000,000 as well as Limited Obligation Bonds for $14,565,000.

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

Brief descriptions of certain provisions of the Master 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 Master 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 Master Trust Agreement, the First Supplemental Trust Agreement, 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 Master Trust Agreement.

"Additional Project" means any building, facility, fixture or other improvement financed with the proceeds of Bonds, other than the 2024 Project.

"Authorized Officer" means the County Manager, the Finance Director or any other person designated by the County from time to time to perform the duties imposed on an Authorized Officer by the Master Trust Agreement pursuant to an Officer's Certificate filed with the Trustee for such purpose and containing the specimen signatures of such persons.

"Beneficiary" means U.S. Bank Trust Company, National Association, 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 bonds or notes issued under the provisions of the Master Trust Agreement and secured on a parity with each other by the Master Trust Agreement.

"Bond Fund" means the fund created and designated the "County of Lee, North Carolina Limited Obligation Bonds Bond Fund" by the Master Trust Agreement.

"Bond Year" means, with respect to the Series 2024 Bonds, the period commencing on October 1 of any year and ending on September 30 of the following year.

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

"Code" means the Internal Revenue Code of 1986, as amended.

"County" means the County of Lee, North Carolina, a body corporate and politic and political subdivision duly organized and validly existing under the laws 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 Master Trust Agreement.

"Deed of Trust Trustee" means the trustee serving from time to time 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 non-callable Government Obligations.

"Event of Default" means each of those events of default set forth in the Master Trust Agreement and described under "SUMMARY OF THE MASTER 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 shall 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. d/b/a Fitch Ratings, 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 (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 Master 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 or October 1, as the case may be, 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.

"Issuance Costs" means and further includes all items of expense directly or indirectly payable by or reimbursable to the County relating to the sale and issuance of the Bonds, including, but not limited to, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and expenses of the Trustee, bond insurance premiums, initial credit facility 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.

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

"Master Trust Agreement" means the Master Trust Agreement, dated as of October 1, 2024, between the County and the Trustee, and any supplements and amendments permitted thereby.

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns, and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County by notice to the Trustee.

"Mortgaged Property" means the property subject to the lien created by the Deed of Trust, initially consisting of the site of the new public library constituting a portion of the 2024 Project, together with all buildings, improvements and fixtures located or to be located thereon.

"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 Master Trust Agreement.

"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 Master 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 Master Trust Agreement;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Master Trust Agreement;

(d) Bonds deemed to have been paid in accordance with the Master Trust Agreement as described under “SUMMARY OF THE MASTER 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 or entity in whose name a Bond is registered in the registration books provided for in the Master 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 lien created by the Deed of Trust or any lease of all or any portion of the Mortgaged Property permitted by the Master 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) easements, licenses, rights of way, air rights and other rights or privileges of a similar nature with respect to any part of the Mortgaged Property permitted by Section 4 of the Deed of Trust; (h) the Master Trust Agreement or any Supplemental Trust Agreement; (i) any rights in or related to the use and operation of the Mortgaged Property granted pursuant to any Use Agreement; and (j) any other encumbrances described in a policy of title insurance required by the Master Trust Agreement.

“Prior Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and for purposes of this definition, any Bond authenticated and delivered under the Master Trust Agreement in lieu of a lost, destroyed or stolen Bond will be deemed to evidence the same debt as the lost, destroyed or stolen Bond.

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

“Project Costs” means, with respect to any item or portion of the 2024 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 2024 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 2024 Project or any Additional Project, and include all applicable sales taxes and other charges resulting from such construction, acquisition, remodeling, renovation or improvement of the 2024 Project or any Additional Project.

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

"Rating Agency" means Fitch, Moody's and S&P, but only 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 Master 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, with respect to any Series of Bonds, the regular record date, if any, provided for in the Supplemental Trust Agreement relating to such Series. "Regular Record Date" means, 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 business unit 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 Master 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 Lee, North Carolina Limited Obligation Bonds, Series 2024 issued pursuant to the Master Trust Agreement and the First Supplemental Trust Agreement.

"Series 2024 Project Account" means the account of the Project Fund created and so designated by the First Supplemental Trust Agreement.

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

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

"Series 2024 Subaccount of the Redemption Account" means the subaccount 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 Master Trust Agreement.

"Sinking Fund Requirement" means, with respect to any Series of Bonds, the Sinking Fund Requirement provided in the Supplemental Trust Agreement relating to such Series.

"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 Master 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 Master Trust Agreement prior to the issuance of any such Series, including the First Supplemental Trust Agreement.

"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 Master Trust Agreement, each Supplemental Trust Agreement and any supplements and amendments thereto permitted thereby.

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

"Use Agreement" means any agreement between the County and any private person or entity relating to the use or operation of all or any portion of the Mortgaged Property and not otherwise constituting a lease of the Mortgaged Property.

"2024 Project" means the buildings, facilities and other improvements identified in Exhibit A to the First Supplemental Trust Agreement which are to be financed in whole or in part by the County from the proceeds of the Series 2024 Bonds.

SUMMARY OF THE MASTER 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 on 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 otherwise provided in a Supplemental Trust Agreement, the principal of, premium, if any, and interest 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 or entity 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. Unless otherwise provided in a Supplemental Trust Agreement, payment of the principal of all Bonds (other than pursuant to mandatory sinking fund redemption) 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 or entities in whose names such Bonds (or their respective Prior 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 or entities 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 Master Trust Agreement not less than ten (10) days prior to such Special Record Date. The Trustee will, if directed by an Authorized Officer, in the name and at the expense of the County, cause a similar notice to be published at least once in (i) a financial journal distributed in the Borough of Manhattan, City and State of New York, and (ii) a newspaper of general circulation in the County of Lee, North Carolina, but such publication will not be a condition precedent to the establishment of 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 or entities in whose names the Bonds (or their respective Prior Bonds) are registered on such Special Record Date and will no longer be payable pursuant to the Master 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 Master Trust Agreement, such payment will be deemed practicable by the Trustee.

Subject to the foregoing provisions, each Bond delivered under the Master 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 Master 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.

In all cases in which Bonds will be exchanged or the transfer of Bonds will be registered under the Master 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 Master 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 Master Trust Agreement and describing in brief and general terms the purpose for issuing such Bonds. The Series 2024 Bonds will be issued for the purposes set forth in the First Supplemental Trust

Agreement. Additional Bonds may be issued for the purpose of providing funds, with any other available funds, for paying: (a) the Project Costs for completion of the 2024 Project, (b) the Project Costs for acquisition, construction or equipping of any Additional Project, and (c) the costs (including financing costs) of refunding any Bonds or, to the extent permitted by law, indebtedness other than Bonds.

Unless otherwise provided in the Supplemental Trust Agreement, the Bonds of each Series will be designated "County of Lee, North Carolina Limited Obligation Bonds, Series ____" (inserting the year such Bonds are issued and any other distinctive letter, number or other identifier as the County may determine), will be stated to mature, subject to the right of prior redemption as therein set forth, on the date or dates specified therein, in such year or years not later than forty (40) years from their date, will bear interest at a rate or rates not exceeding the maximum rate then permitted by law, will be numbered and will have such redemption provisions (subject to the provisions of the Master Trust Agreement), all as provided in the Supplemental Trust Agreement. Except to the extent described in the Master 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 Master Trust Agreement.

When the documents mentioned in the Master Trust Agreement are filed with the Trustee and when the Bonds have been executed and authenticated as required by the Master Trust Agreement, the Trustee will deliver the Bonds at one time to or upon the order of the County for redelivery to or upon the order of the purchasers thereof, but only upon payment to the Trustee or other persons or entities as provided in the Supplemental Trust Agreement of the purchase price of the Bonds and the accrued interest, if any, thereon to the date of issuance. The Trustee will be entitled to rely upon the resolutions and documents set forth in the Master Trust Agreement as to all matters stated therein.

The Master Trust Agreement does not provide for any financial test to be met in order to issue additional Bonds thereunder. The Deed of Trust provides that the maximum principal amount of the obligations which may be secured thereby at any one time is $150,000,000.

Bonds Constitute Installment Contracts Under Act

Bonds issued under and pursuant to the terms of the Master Trust Agreement, together with corresponding obligations under the Trust Agreement and the Deed of Trust relating thereto, will constitute installment contracts or contracts within the meaning of the Act entered into by the County for the purpose of financing or refinancing 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 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 Master Trust Agreement or in any Supplemental Trust Agreement to the extent provided in the Master Trust Agreement or in any Supplemental Trust Agreement.

Effect of Calling for Redemption

On or before the date upon which Bonds are to be redeemed, the County will deposit with the Trustee money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Bonds to be redeemed on such redemption date.

On the date fixed for redemption, notice having been given in the manner and under the conditions provided in the applicable Supplement Trust Agreement, the Bonds or portions thereof called for redemption will be due and payable at the Redemption Price provided therefor, plus accrued interest to such date, and if moneys sufficient to pay the Redemption Price of the Bonds or portions thereof to be redeemed plus accrued interest thereon to the date of redemption are held by the Trustee in trust for the Owners of Bonds to be redeemed, interest on the Bonds or portions thereof called for redemption will cease to accrue; such Bonds or portions thereof will cease to be entitled to any benefits or security under the Master Trust Agreement or to be deemed Outstanding; and the Owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the date of redemption.

Bonds and portions of Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption on any one or more dates as determined by the County have been given to the Trustee in form satisfactory to it will not thereafter be deemed to be Outstanding under the Master Trust Agreement and will cease to be entitled to the security of or any rights under the Master Trust Agreement, and the Owners will have no rights in respect of the same other than to receive payment of the principal or Redemption Price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in the Master Trust Agreement, and to the extent hereinafter described, to receive Bonds for any unredeemed portions of Bonds if money or Defeasance Obligations (that have maturity dates or redemption dates which, at the option of the holder of such Defeasance Obligations, will not be later than the date or dates on which moneys will be required to effect such payment or redemption), or a combination of both, sufficient to pay the principal or Redemption Price of such Bonds or portions thereof, together with accrued interest thereon to the date upon which such Bonds are to be paid or redeemed, are held in separate accounts by the Trustee in trust for the Owners of such Bonds.

Any Supplemental Trust Agreement may provide that any notice of redemption, except a notice of redemption in respect of a Sinking Fund Requirement, may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or prior to the redemption date of moneys sufficient to pay the Redemption Price of and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice will be of no force or effect and such Bonds will not be required to be redeemed. In the event that such notice contains such a condition and moneys or Defeasance Obligations sufficient to pay the Redemption Price of and interest on such Bonds are not received by the Trustee on or prior to the redemption date, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. The Supplemental Trust Agreement may also provide for the giving of notice of insufficient money prior to the redemption date and such other provisions as the County may determine.

If less than all of an Outstanding Bond is selected for redemption, the Owner thereof or his attorney or legal representative, or legal representative of his estate if the Owner is deceased, will present and surrender such Bond to the Trustee for payment of the principal amount thereof so called for redemption, and the redemption premium, if any, on such principal amount, and the County will, if necessary, execute and the Trustee will authenticate and deliver to or upon the order of such Owner or his attorney or legal representative, without charge, for the unredeemed portion of the principal amount of the Bond so surrendered, a new Bond of the same Series and maturity, bearing interest at the same rate and of any denomination or denominations authorized by Supplemental Trust Agreement for such Bond.

Project Fund

The Trustee will establish a special fund designated as the "County of Lee, North Carolina Limited Obligation Bonds Project Fund," will keep such fund separate and apart from all other funds and moneys held by it and will administer such fund as provided in the Master Trust Agreement. When a Series of Bonds is issued under the Master Trust Agreement, the Trustee may establish separate accounts and subaccounts within the Project Fund to account for the proceeds of such Series of Bonds and any other funds. The moneys deposited in the Project Fund will be held and applied by the Trustee in accordance with the provisions of the Master Trust Agreement.

The County has granted to the Trustee for the benefit of the Owners of respective Series of Bonds a lien on and a security interest in all monies and securities in the applicable accounts or subaccounts of the Project Fund relating to that Series of Bonds. The money in each such account or subaccount will be held by the Trustee in trust and, pending application to the payment of the applicable Project Costs and/or Issuance Costs will, to the extent permitted by law, be subject to a lien and charge in favor of the Owners of the respective Series of Bonds issued and Outstanding under the Master Trust Agreement and will be held for the security of such Owners, except as otherwise provided in the Master Trust Agreement or in any Supplemental Trust Agreement.

There will be credited to the applicable account or subaccount of the Project Fund the proceeds of the sale of a Series of Bonds as required to be deposited therein pursuant to the applicable Supplemental Trust Agreement. There will also be credited to the applicable account or subaccount of the Project Fund the proceeds of performance and labor and materials payment bonds paid to the Trustee pursuant to the Master Trust Agreement, all investment earnings on moneys held in the Project Fund and any other funds from time to time deposited with the Trustee for such purposes.

Payment of Project Costs and Issuance Costs will be made from the applicable accounts and/or subaccounts of the Project Fund. All payments from the Project Fund will be subject to the provisions and restrictions set forth in the Master Trust Agreement, and the County will not cause or agree to permit to be paid from the Project Fund any sums except in accordance with such provisions and restrictions.

Establishment of Bond Fund

In addition to the Project Fund, there is established the County of Lee, 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 money in all of the accounts and subaccounts of the Bond Fund will be held in trust and applied as provided in the Master Trust Agreement and, pending such application, the money in the Bond Fund and the accounts and subaccounts therein will be subject to a pledge, charge and lien in favor of the Owners of each of the respective Series of Bonds issued and Outstanding under the Master Trust Agreement and for the further security of such Owners, except as otherwise provided in the Master 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 Master 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 then required to be made, such deposits will be made to each such subaccount of the Interest Account ratably according to the amounts so required to be deposited.

(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 then required to be made, such deposits will be made to each such subaccount of the Principal Account and the Sinking Fund Account ratably according to the amounts so required to be deposited.

On or before the 45th day next preceding any date on which Serial Bonds are to mature or Term Bonds are to be redeemed pursuant to Sinking Fund Requirements therefor 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; provided, however, that the Trustee will have no duty to confirm the purchase price paid by the County. 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 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 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 such Series of Bonds, an Authorized Officer will deliver to the Trustee a schedule of payments to be made on Interest Payment Date from the applicable subaccount of the Interest Account for the payment of such 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 Master 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 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 Master 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 Master 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 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 Master Trust Agreement, or if the balance in the Sinking Fund Account on the Business Day next preceding any maturity date or mandatory sinking fund redemption 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 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 by an Authorized Officer, the Trustee will use commercially reasonable efforts to purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof are then subject to redemption, at the 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 Sinking Fund Requirements 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 Sinking Fund Requirements 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 as the "County of Lee, 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 Master 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 Trustee will disburse Net Proceeds for replacement or repair of the Mortgaged Property as provided in paragraphs (c)(1) and (c)(3) below, or transfer such proceeds to the Redemption Account upon notification of an Authorized Officer as described in paragraphs (c)(2) or (c)(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 subaccount or subaccounts of the Bond Fund as so directed by an Authorized Officer and applied to the next payment of principal of and interest on the applicable series of Bonds. Any funds remaining in the Net Proceeds Fund after the redemption of all Bonds Outstanding, including accrued interest and payment of any applicable fees to the Trustee pursuant to the Master Trust Agreement or provision made therefor satisfactory to the Trustee, will be withdrawn by the Trustee and remitted to the County.

(c) (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 a requisition submitted to the Trustee for such purpose. The requisition will be signed by an Authorized Officer and will state 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 Master Trust Agreement and described in paragraph (c)(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 direction of the County, will promptly transfer the Net Proceeds to the Redemption Account as provided in the Master Trust Agreement and apply such Net Proceeds, together with any other available moneys provided by County in its discretion 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 Master Trust Agreement and the applicable Supplemental Trust Agreements; provided, however, that if any of the Bonds are not subject to redemption at that time, then the amount deposited in the Redemption Account may be invested in Defeasance Obligations which, together with investment earnings thereon and any moneys not so invested, will be sufficient to pay all interest on the Bonds until their respective maturities or redemption dates and to pay the principal of and premium, if any, on such Bonds on the respective maturities or redemption dates.

(3) If there are sufficient Net Proceeds to comply with the provisions of the Master Trust Agreement and described in paragraphs (c)(1) or (c)(2) above, the County must comply with either of such provisions. However, if the certification required by the Master Trust Agreement and described in paragraph (c)(1) above cannot be made and if the Net Proceeds and other funds made available by the County are insufficient to redeem or defease all of the Bonds in whole as described in paragraph (c)(2) above, 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 (c)(1) above.

(4) If the County is unable to comply with the provisions described in paragraphs (c)(1), (c)(2) or (c)(3) above, the County will direct the Trustee to transfer the 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 Agreements in such manner specified in an Officer's Certificate filed with the Trustee; provided, however, that if any of such Bonds are not subject to redemption at that time, then the amount deposited in the Redemption Account may be invested in Defeasance Obligations which, together with investment earnings thereon and any moneys not so invested, will be sufficient to pay all interest on such Bonds until their respective maturities or redemption dates and to pay the principal of and premium, if any, on such Bonds on the respective maturities or redemption dates.

(d) 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 Master 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.

Payment of Bonds; Limited Obligation; Budgeting

The County will cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided herein and in the Bonds and the documentation securing such Bonds, according to the true intent and meaning thereof. The County will also pay to such persons or entities as are entitled thereto such amounts ("Additional Payments") as shall be required for the payment of all administrative and other costs relating to the 2024 Project, any Additional Project or the Bonds, including, without limitation, (i) all costs, expenses, compensation and indemnity of the Trustee, the Local Government Commission, the provider of any bond insurance policy, 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) all other necessary administrative costs of the County or to indemnify any Indemnified Party; and (iv) any other payments specified as Additional Payments under a Supplemental Trust Agreement.

The County Manager (or any other officer at any time charged with the responsibility for formulating budget proposals) is required to include in the budget proposals for review and consideration by the Board of Commissioners in each Fiscal Year in which the Master Trust Agreement shall be 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 reasonably estimated Additional Payments required for such Fiscal Year under the Master Trust Agreement. Any budget item referred to in this paragraph 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 is required to furnish to the Trustee within thirty (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 is required to 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 is required to promptly provide notice of any Event of Nonappropriation to the Trustee, the Local Government Commission and each Rating Agency.

The Master Trust Agreement or the Deed of Trust do not directly or indirectly or contingently obligate the County to make any payments beyond those appropriated in the sole discretion of the County for any Fiscal Year in which the Master Trust Agreement or the Deed of Trust is in effect; provided, however, that any failure or refusal by the County to appropriate funds, which results in the failure by the County to make any payment coming due under the Master Trust Agreement will in no way obviate the occurrence of the Event of Default resulting from such nonpayment.

Subject to the provisions of the Master Trust Agreement relating to the County's right of non-appropriation, the obligation of the County to pay the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and interest on the Bonds and the Additional Payments under the Trust Agreement and to perform and observe the other covenants set forth in the Trust Agreement shall be absolute and unconditional, and the County shall pay without abatement, diminution or deduction all such amounts regardless of any cause or circumstance whatsoever, including, without limitation (a) any damage, destruction or taking by eminent domain of the 2024 Project, any Additional Project or the Mortgaged Property or (b) any defense, set-off, recoupment or counterclaim that the County may have against the Trustee or any Owner of the Bonds.

Insurance

The County is required to maintain or caused to be maintained throughout the term of the Master Trust Agreement a comprehensive general liability policy or policies in protection of the County, its officers, agents and employees. Said policy shall cover such losses and for such amounts and shall have such deductible amounts as shall be satisfactory to the Board of Commissioners and, in the judgment of the Board of Commissioners, shall protect the County against losses not protected under the principles of sovereign immunity. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The County is required to 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 shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The County is required to procure and maintain, or cause to be procured and maintained, throughout the term of the Master 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. Said extended coverage insurance shall, 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 shall name the Trustee as a lenders loss payable and/or mortgagee. To the extent that any contractor shall provide an insurance policy or certificate of insurance (naming the Trustee as a lenders loss payable and/or mortgagee) demonstrating that the same coverage as is required by this paragraph 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 this paragraph shall 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. Such insurance shall 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). The Net Proceeds of such insurance shall be deposited in the Net Proceeds Fund and applied as provided in the Master Trust Agreement.

The County is required to obtain at the time of execution of the Master Trust Agreement, and cause to be maintained, a mortgagee's title insurance policy on the Mortgaged Property, insuring the County's fee simple interest in said property, subject only to Permitted Encumbrances, in the amount of $24,000,000, naming the Trustee as the named insured. The Net Proceeds of such insurance shall be deposited in the Net Proceeds Fund and applied as provided in the Master Trust Agreement.

In lieu of obtaining the policies of insurance required by the Master Trust Agreement (other than 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 the Master Trust Agreement. In addition, any such insurance coverage (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 Master Trust Agreement.

The County shall cooperate fully with the Trustee in filing any proof of loss with respect to any insurance policy maintained pursuant to the Master 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.

Maintenance, Utilities, Taxes and Assessments

The County is required to provide for the repair and replacement of any portion of the Mortgaged Property necessary on account of ordinary wear and tear or want of care. The County is also required to pay or cause to be paid all utilities, taxes, assessments or other charges of any type or nature levied, assessed or charged against any portion of the Mortgaged Property; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County will be obligated to pay only such installments as are required to be paid as and when the same become due.

The County may, at its expense and in its name, in good faith contest any such utilities, taxes, assessments or other charges and, in the event of any such contest, may permit such utilities, taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided, however, that prior to such nonpayment it shall furnish to the Trustee a written opinion of counsel to the effect that, by nonpayment of any such items, the interest of the Trustee as beneficiary under the Deed of Trust will not be materially endangered and that the Mortgaged Property will not be subject to loss or forfeiture. Otherwise, the County is required to promptly pay such utilities, taxes, assessments or charges or make provisions for the payment thereof.

Encumbrances

Except as provided in the Master Trust Agreement or in the Deed of Trust, the County will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim, as applicable, on or with respect to the Mortgaged Property, other than Permitted Encumbrances, and will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim for which it is responsible if the same shall arise at any time; provided, however, that the County may contest any such mortgage, pledge, lien, charge, encumbrance or claim if it desires to do so and will provide the Trustee with full security against any loss or forfeiture which might arise from the nonpayment of any such item in form satisfactory to the Trustee.

Security for Deposits

Any and all money deposited with the Trustee will be trust funds under the terms of the Master Trust Agreement, and, to the extent permitted by law in the case of the Project Fund, will not be subject to any lien or attachment by any creditor of the County.

All money deposited with the Trustee under the Master 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 Master 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 or to the extent the Trustee has not received written direction from the County with respect to the making of such investments. Except as provided in the Master 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 will give to the Trustee written directions respecting the investment of any money required to be invested under the Master Trust Agreement, subject, however, to the provisions of the Master 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 Master Trust Agreement. Upon receipt of such directions, the Trustee will invest, subject to the provisions of the Master Trust Agreement, such money in accordance with such directions. The Trustee will have no liability for investments made in accordance with the Master Trust Agreement. The Trustee may rely in good faith on any written investment instructions received by an Authorized Officer of the County stating that such directed investment constitutes an Investment Obligation within the meaning of the Master Trust Agreement and otherwise complies with the provisions of the Master Trust Agreement.

Notwithstanding anything contained in the Master Trust Agreement to the contrary, the Trustee will have no obligation to enter into any repurchase agreement, investment agreement or similar agreement with respect to the investment of any monies held under the Master Trust Agreement unless (i) such agreement is in form and content acceptable to the Trustee in its sole discretion, (ii) any liability of the Trustee under such agreement is limited to loss occasioned by the negligence or willful misconduct of the Trustee, and (iii) the County will pay to the Trustee an additional fee established by the Trustee for entering into such type of agreement in accordance with its customary practices.

Investment Obligations acquired with money in or credited to any fund, account or subaccount established under the Master 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 Master 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 investment made pursuant to the provisions of the Master Trust Agreement.

Whenever a transfer of money between two or more of the funds, accounts or subaccounts established under the Master 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 Master 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 Master 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 Master 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.

Unless otherwise directed by the County, Investment Obligations may be purchased by the Trustee through its own investment division or other bank facilities established for such purpose.

Valuation

For the purpose of determining the amount on deposit in any fund, account or subaccount, Investment Obligations in which money in such fund, account or subaccount is invested will be valued by the Trustee (a) at face value if such Investment Obligations mature within twelve (12) months from the date of valuation thereof and (b) if such Investment Obligations mature more than twelve (12) months after the date of valuation thereof, at the price at which such Investment Obligations are redeemable by the holder at its option, if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Investment Obligations.

All Investment Obligations in all of the funds, accounts and subaccounts created under the Master Trust Agreement will be valued as of the last day of each Fiscal Year. When a valuation is made by the Trustee, the Trustee will report the result of such valuation to the County within thirty (30) days after such valuation. In addition, Investment Obligations will be valued at any time requested by the County on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee will not be required to value Investment Obligations more than once in any calendar month.

Assignment and Lease by the County

The Trust Agreement may not be assigned by the County.

The County may lease all or any portion of the 2024 Project, any Additional Project or the Mortgaged Property, subject to all of the following conditions:

(a) the obligation of the County to pay the principal of, premium, if any, and interest on the Bonds and the Additional Payments under the Master Trust Agreement will remain obligations of the County;

(b) the County will, at least ten (10) days prior to the execution and delivery of any such lease, furnish or cause to be furnished to the Trustee a true and complete copy of such lease;

(c) no lease by the County will cause the 2024 Project, any Additional Project or the Mortgaged Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State;

(d) no lease will cause the interest on the Bonds intended to be exempt for federal income tax purposes to become includable in gross income for federal income taxation purposes; and

(e) in the case of any lease of all or any portion of the Mortgaged Property, the Trustee will have received evidence satisfactory to the Trustee that such lease is subordinate in all respects to the lien of the Deed of Trust.

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 Master 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 Trustee 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) there is filed with the Trustee evidence that 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 selected by the County, (B) the insured value of the remaining Mortgaged Property or (C) the assessed 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 the 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 selected by the County, (2) the insured value of the remaining Mortgaged Property and the Substitute Property or (3) the assessed 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 Master 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) there is filed with the Trustee a certificate of an Authorized Officer stating that 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.

The County will provide notice to each Rating Agency of the release of any of the Mortgaged Property pursuant to the Master Trust Agreement.

Extension of Interest Payment

If the time for the payment of the interest on any Bond is extended, whether or not such extension is by or with the consent of the County, such interest so extended will not be entitled in case of an Event of Default under the Master Trust Agreement to the benefit or security of the Master Trust Agreement and in such case the Owner of the Bond for which the time for payment of interest was extended will be entitled only to the payment in full of the principal of all Bonds then Outstanding and of interest for which the time for payment will not have been extended.

Events of Default

Each of the following events is an Event of Default under the Master Trust Agreement:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made when the same are 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) failure by the County to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed in the Master Trust Agreement or in any Supplemental Trust Agreement, other than as referred to in subsections (a), (b) or (c) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee; provided, however, that if the failure stated in the notice cannot be 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 to correct the failure of the amount of time necessary to correct such failure if diligently pursued;

(e) the occurrence of an event of default as provided in the Deed of Trust; or

(f) the occurrence of any other event specified in a Supplemental Trust Agreement as being an "Event of Default" under the Master Trust Agreement.

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 Master 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 Master 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 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 Master 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 default of which the Trustee has knowledge as provided in the Master Trust Agreement in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds, the Master 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 provisions of prior indemnification) to protect and enforce its rights and the rights of the Owners of the Bonds under applicable laws and under the Master 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 Master Trust Agreement or in aid or execution of any power granted in the Master 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 Master 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 and the creation of a reasonable reserve for anticipated fees, costs and expenses, be deposited to the credit of the Bond Fund. Anything in the Master 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 Master 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 or entities entitled thereto of all installments of interest on Bonds then due and payable 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 or entities 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 or entities 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 Master 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 or entities 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 Master Trust Agreement; and

fourth: to the payment of persons or entities entitled thereto of all 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 or entities 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, 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 or entities entitled thereto without any discrimination or privilege; and

second: to the payment of persons or entities entitled thereto of all 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 or entities 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 Master 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 Master 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 Master Trust Agreement, provided that such direction will be in accordance with law and the provisions of the Master Trust Agreement.

Except as provided in the Master 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 Master 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 Master 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, 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 Master Trust Agreement or to any other remedy under the Master 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. It is understood and intended that, except as otherwise above provided, 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 Master Trust Agreement or to enforce any right under the Master 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 Master 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 Master 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 knowledge or notice as provided in the Master Trust

Agreement 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.

Except upon the happening of any Event of Default described in paragraphs (a) and (b) of "SUMMARY OF THE MASTER TRUST AGREEMENT – Events of Default" above, the Trustee will not be obliged to take notice or be deemed to have notice or knowledge of any Event of Default unless specifically notified in writing of such Event of Default by the County or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

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 Master 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 Master 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 Master 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 Master Trust Agreement, and no implied covenants or obligations will be read into the Master Trust Agreement against the Trustee and no permissive right of the Trustee under the Master 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 Master Trust Agreement, but in the case of any such certificate or opinion which by any provision hereof is specifically required to be furnished to the Trustee, the Trustee will be under a duty to examine the same to determine whether or not on its face it conforms to the requirements of the Master 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 Master 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 Master Trust Agreement.

None of the provisions contained in the Master 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 Master 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 Master 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 and other reasonable disbursements, and against all liability. 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 and other reasonable disbursements properly incurred in connection therewith. If the County will fail to make such reimbursement, the Trustee may reimburse itself from any money in its possession under the provisions of the Master 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 Master 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 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; 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 2024 Project or any Additional Project; and the Trustee will have no duty to inspect or oversee the acquisition, construction or equipping of the 2024 Project or any Additional Project or, except as provided in the Master 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 or Issuance Costs in accordance with the Master Trust Agreement.

Notwithstanding any provision of the Master Trust Agreement to the contrary, the Trustee will not be liable or responsible for any calculation or determination which may be required in connection with or for the purpose of complying with Section 148 of the Code or any applicable Treasury regulations, including, without limitation, the calculation of amounts required to be paid to the United States under the provisions of Section 148 of the Code and the applicable Treasury regulations, the maximum amount which may be invested in "non-purpose obligations" as defined in the Code and the fair market value of any investments made hereunder, and the sole obligation of the Trustee with respect to investment of funds hereunder will be to invest the monies received by the Trustee in accordance with the Master Trust Agreement pursuant to instructions from an authorized representative of the County and to maintain appropriate records relating to the investments so made.

The Trustee will not be responsible or liable for the environmental condition or any contamination of the Mortgaged Property or any other property which secures the County's obligations under the Trust Agreement or the Bonds or for any diminution in value of any such property as a result of any contamination of the property by any hazardous substance, hazardous material, pollutant or contaminant. The Trustee will not be liable for any claims by or on behalf of the Owners or any other person or entity arising from contamination of the Mortgaged Property or any other property which secures the County's obligations under the Trust Agreement or the Bonds by any hazardous substance, hazardous material, pollutant or contaminant, and will have no duty or obligation to assess the environmental condition of any such property or with respect to compliance of any such property under state or federal laws pertaining to the transport, storage, treatment or disposal of, hazardous substances, hazardous materials, pollutants, or contaminants or regulations, permits or licenses issued under such laws.

The Trustee will not be liable if and to the extent its performance under the Trust Agreement if and to the extent such performance is prevented by reason of "force majeure." For purposes of this provision, "force majeure" means an occurrence beyond the control of the Trustee and could not have been avoided by exercising due care, including, without limitation, acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar circumstances.

The Trustee will not be responsible for the filing of, or for the sufficiency or accuracy of, any financing statements initially filed to perfect any lien or lien or security interest granted or created under the Master Trust Agreement, any Supplemental Trust Agreement or the Deed of Trust in connection with the issuance of the Series 2024 Bonds or any subsequent Series of Bonds. The Trustee will be required to file continuation statements with respect to each such financing statement initially filed by the County at the time of the issuance of the Series 2024 Bonds or any subsequent Series of Bonds, provided that a copy of such initial financing statement is timely delivered to the Trustee. In addition, unless the Trustee will have been notified in writing by the County that any such initial filing or description of collateral was or has become defective, the Trustee will be fully protected in (i) relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this clause and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The County will be responsible for all reasonable and customary fees charged by the Trustee for the preparation and filing of any such continuation statements, including reasonable attorneys' fees and expenses, in accordance with the Master Trust Agreement.

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 Master 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 Master Trust Agreement if such application, investment, payment, withdrawal or transfer will be made in accordance with the provisions of the Master Trust Agreement. The immunities and exemptions from liability of the Trustee under the Master 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 Master Trust Agreement, by notice in writing given to the County, and mailed, postage prepaid, at the Trustee's expense, 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 Master Trust Agreement.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing (i) executed by the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding and filed with the County or (ii) executed by an Authorized Officer, so long as no Event of Default will have occurred and be continuing, in either case filed with Trustee not less than sixty (60) days before such removal is to take effect as stated in said instrument of instruments. The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Master Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the County or the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding.

If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee will be taken over by any governmental official, agency, department or board, the positions of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the County shall appoint a Trustee to fill such vacancy. The appointment of any successor Trustee shall be subject to the approval of the Local Government Commission. The County shall cause a notice of any such appointment made by it to be mailed first class, postage prepaid, to all Owners of Bonds.

Any organization or entity into which the Trustee may be merged or converted or with which it may be consolidated, or any organization or entity resulting from any merger, conversion or consolidation to which the Trustee will be a party, or any organization or entity succeeding to all or substantially all of the corporate trust business of the Trustee, will be the successor of the Trustee under the Master Trust Agreement, provided such organization or entity will be otherwise qualified and eligible to serve as Trustee under this clause and provided such successor entity is (i) a bank or trust company within or without the County which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing and (iii) having a combined capital, surplus and undivided profits aggregating not less than One Hundred Million Dollars ($100,000,000).

At any time within sixty (60) days after any such vacancy shall have occurred, the Owners of not less than 25% in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the County, may nominate a successor Trustee, which the County shall appoint and which shall supersede any Trustee theretofore appointed by the County. Photographic copies of each such instrument shall be delivered promptly by the County to the predecessor Trustee and to the Trustee so appointed by the Owners.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions, any Owner under the Master Trust Agreement or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any successor Trustee appointed must be (i) a bank or trust company within or without the County which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing and (iii) having a combined capital, surplus and undivided profits aggregating not less than One Hundred Million Dollars ($100,000,000).

Supplements and Amendments to Master Trust Agreement and Deed of Trust

The Master 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 Master 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 Master 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 Master 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 Master Trust Agreement or the Deed of Trust other conditions, limitations and restrictions thereafter to be observed, or

(d) to add to the covenants and agreements of the County in the Master 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 herein reserved to or conferred upon the County, or

(e) to permit the qualification of the Master 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 Master 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 listed 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 be prepared by the County, 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 Master Trust Agreement will not affect the validity of such supplement or amendment.

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 Master Trust Agreement or the Deed of Trust will have the right, from time to time, anything contained in the Master 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 Master Trust Agreement or the Deed of Trust; provided, however, that nothing therein contained 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 Master Trust Agreement, however, will be construed as making necessary the approval by Owners of Bonds of the execution and delivery of any supplement or amendment to the Master Trust Agreement or the Deed of Trust as authorized in the Master Trust Agreement.

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 Master Trust Agreement or the Deed of Trust for any of the purposes described under this clause, the Trustee will, at the expense of the County, cause notice 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 be prepared by the County, 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 the Master Trust Agreement to be mailed, and any such failure to cause the notice required to be mailed will not affect the validity of such supplement or amendment when consented to and approved as provided in the Master Trust Agreement.

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 (as defined in the Master Trust Agreement) 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 Master 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 (as defined in the Master Trust Agreement) by a proposed supplement or amendment to the Master Trust Agreement or the Deed of Trust have consented to and approved the execution and delivery thereof as provided in the Master 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.

Exclusion of Bonds

Bonds owned or held by or for the account of the County will not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Master Trust Agreement, and the County as Owner of such Bonds will not be entitled to consent or take any other action provided for in the Master Trust Agreement. At the time of any consent or other action taken under the Master Trust Agreement, the County will furnish the Trustee an Officer's Certificate upon which the Trustee may rely, describing all Bonds so to be excluded.

Defeasance

When:

(a) the Bonds issued under the Master Trust Agreement will have become due and payable in accordance with their terms or otherwise as provided in the Master 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 Master 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 Master 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 Master Trust Agreement and the Deed of Trust have been satisfied, the Trustee will release the Master 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 clauses (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 Master 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 Master 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 Master Trust Agreement has been released in accordance with the provisions of the Master Trust Agreement, and (ii) (a) the Trustee will nevertheless retain such rights, powers and privileges under the Master 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 Master 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 Master 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 Series 2024 Project Account and Bond Fund Subaccounts

The Trustee will establish a special account within the Project Fund designated as the "Series 2024 Project Account" and will keep the Series 2024 Project Account separate and apart from all other funds and moneys held by it. Moneys in the Series 2024 Project Account will be invested and disbursed in the manner provided in the First Supplemental Trust Agreement and the Master Trust Agreement.

The First Supplemental Trust Agreement will also establish the following subaccounts in the Bond Fund:

(a) Series 2024 Subaccount of the Interest Account;

(b) Series 2024 Subaccount of the Principal Account; and

(c) Series 2024 Subaccount of the Redemption Account.

The fund, account and subaccounts mentioned above will be established with and held by the Trustee pursuant to the Master Trust Agreement and the First Supplemental Trust Agreement.

Payments by the County

The County will, subject to the limitations of the Master 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 or before the 25th day of the month immediately preceding on 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 or before the 25th day of the month immediately preceding each October 1, the principal of all Series 2024 Bonds coming due on such October 1.

In addition, the Trustee will deposit to the Series 2024 Subaccount of the Redemption Account all amounts as will be delivered to the Trustee by the County from time to time with instructions that such amounts be so deposited.

Application of Money in the Series 2024 Subaccount of the Redemption Account

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

(a) Subject to the provisions of subsection (c) below, the Trustee will use commercially reasonable efforts to purchase and cancel Series 2024 Bonds or portions thereof, regardless of whether such Series 2024 Bonds or portions thereof are then subject to redemption, at the direction of an Authorized Officer, provided that the purchase price of each Series 2024 Bond will not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2024 Bond under the provisions of the First Supplemental Trust Agreement, plus accrued interest to that redemption date. The Trustee will pay the interest accrued on such Series 2024 Bonds or portions thereof to the date of settlement from the Series 2024 Subaccount of the Interest Account and the purchase price from the Series 2024 Subaccount of the Redemption Account, but no such purchase will be made by the Trustee from money in the Series 2024 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2024 Bonds or portions thereof are to be redeemed.

(b) Subject to the provisions of subsection (c) below, the Trustee will call for redemption on a date permitted by the First Supplemental Trust Agreement such amount of Series 2024 Bonds or portions thereof as will exhaust the money then held in the Series 2024 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars ($50,000) in principal amount of the Series 2024 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 Series 2024 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2024 Subaccount of the Interest Account and the Redemption Price of such Series 2024 Bonds or portions thereof from the Series 2024 Subaccount of the Redemption Account. The Trustee will withdraw from the Series 2024 Subaccount of the Redemption Account and set aside the respective amounts required to pay the Redemption Price of the Series 2024 Bonds or portions thereof so called for redemption.

(c) Money in the Series 2024 Subaccount of the Redemption Account will be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2024 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2024 Bonds to be redeemed and the amount of such reduction in each such year. In the event no such certificate is filed (i) the Trustee will apply such money to the purchase of Series 2024 Bonds bearing the highest rate of interest and (ii) if Series 2024 Bonds of more than one maturity bear the same interest rate, the Trustee will redeem such Series 2024 Bonds in the inverse order of maturities.

Application of Money in the Series 2024 Project Account

Money deposited in the Series 2024 Project Account in accordance with the First Supplemental Trust Agreement will be applied to pay the Project Costs relating to the 2024 Project and the Issuance Costs incurred in connection with the sale and issuance of the Series 2024 Bonds, all in accordance with the requisition procedures for the Project Fund as set forth in the Master Trust Agreement.

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 hereto (which supplemental trust agreements will thereafter form a part thereof) as will be substantially consistent with the terms and provisions of the First Supplemental Trust Agreement and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, will not materially and 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 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 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 be prepared by the County, 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.

Supplemental Trust Agreements 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 redemption premium 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 under "SUMMARY OF THE FIRST SUPPLEMENTAL TRUST AGREEMENT – Supplemental Trust Agreements Without Consent of Owners" above.

The Trustee will, at the expense of the County, cause notice 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 be prepared by the County, 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 of the Series 2024 Bonds 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, Air Rights and Other Interests; Release of Mortgaged Property

(a) 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, air rights and other rights or privileges of a similar nature with respect to any part of the Mortgaged Property, and the County may release existing easements, licenses, rights of way, air rights 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 easement, license, right of way, air rights or other right or privilege and, if required, to subordinate the lien created by the Deed of Trust to any such easement, license, right of way, air rights or other right or privilege, but only upon receipt of (i) a copy of the instrument of grant or release to be executed, (ii) a copy of any subordination agreement providing for the subordination of the Deed of Trust and the lien created thereby to any such easement, license, right of way, air rights or other right or privilege, (iii) a written application signed by an Authorized Officer of the County requesting the execution and delivery of any such instruments and (iv) a certificate executed by an Authorized Officer of the County that such grant or release (A) will not impair the effective use of, or interfere with, the operations of the Mortgaged Property by the County and (B) will not impair the effective use of or interfere with the operations of the County at the Mortgaged Property or materially impair the value of the security under the Deed of Trust in contravention of the provisions hereof.

(b) 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 Master Trust Agreement as described under "SUMMARY OF THE MASTER TRUST AGREEMENT – Release of Mortgaged Property" above have been met.

Events of Default and Remedies

If any of the following events will occur:

(i) default in the payment of principal of, premium, if any, or interest on the Series 2024 Bonds and the expiration of any applicable grace or notice periods provided in the Series 2024 Bonds or the Trust Agreement;

(ii) default in any payment required by the Trust Agreement (other than any payment required by clause (i) above) or default by the County in the performance of any other obligation of the County under the Trust Agreement 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 and the County provides the Beneficiary with a certification to that effect, 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 said 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:

(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 its 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, its 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 its 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 the said 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 the 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.

(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 appraisement, 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.

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 actually incurred to the extent permitted by Section 6-21.2 of the General Statutes of North Carolina, as amended, the Beneficiary's fees 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 Section 7 hereof;

Second: All taxes and assessments then constituting a lien against said 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.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

[Form of Opinion of Bond Counsel]

October __, 2024

Board of Commissioners for the
County of Lee, North Carolina

We have examined, as bond counsel to the County of Lee, North Carolina (the "County"), (a) the Constitution and laws of the State of North Carolina, (b) certified copies of the proceedings of the Board of Commissioners for the County showing the adoption of a resolution authorizing the issuance by the County of its $26,630,000 Limited Obligation Bonds, Series 2024 (the "Series 2024 Bonds") and (c) other proofs submitted relative to the sale and issuance of the Series 2024 Bonds. The Series 2024 Bonds are being issued under and pursuant to a Master Trust Agreement, dated as of October 1, 2024 (the "Master Trust Agreement"), between the County and U.S. Bank Trust Company, National Association, 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 Master Trust Agreement, the "Trust Agreement"), between the County and the Trustee.

The Series 2024 Bonds are dated as of the date hereof, bear interest from their date and mature, subject to redemption prior to their maturities, as provided in the First Supplemental Trust Agreement.

The Series 2024 Bonds are being issued to provide funds, together with any other available funds, to (a) pay or reimburse the costs of the 2024 Project (as defined in the Master Trust Agreement) and (b) pay the fees and expenses incurred in connection with the sale and issuance of the Series 2024 Bonds.

The Master Trust Agreement provides for the issuance, under the conditions, limitations and restrictions therein set forth, of additional bonds for the purpose of providing funds, together with any other available funds, to pay (a) the costs of completing the acquisition, construction or equipping of the 2024 Project, (b) the costs of acquisition, construction or equipping of any Additional Project (as defined in the Master Trust Agreement) and (c) the costs (including financing costs) of refunding any Bonds (hereinafter defined) or, to the extent permitted by law, indebtedness other than Bonds. The Series 2024 Bonds and any additional bonds issued pursuant to the Master Trust Agreement are herein collectively referred to as the "Bonds."

As security for the payment of the Bonds and the performance of its obligations under the Trust Agreement, the County has executed and delivered a Deed of Trust, dated as of October 1, 2024 (the "Deed of Trust"), granting to the Trustee a lien on the Mortgaged Property (as defined in the Master Trust Agreement), subject to Permitted Encumbrances (as defined in the Master Trust Agreement). We have not examined the title to the Mortgaged Property and therefore express no opinion with regard to (a) the title to the Mortgaged Property, (b) the adequacy or correctness of the description of the Mortgaged Property contained in the Deed of Trust or (c) the perfection or priority of the lien or security interest created by the Deed of Trust on the Mortgaged Property. All statements made with regard to title to, and liens on, the Mortgaged Property under the Deed of Trust are based exclusively on a mortgagee title insurance policy issued by a title insurance company.

As to matters of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on such examination, we are of the opinion, as of the date hereof and under existing law, that:

1. The Series 2024 Bonds have been duly authorized, executed and delivered by the County.

2. The Master Trust Agreement and the First Supplemental Trust Agreement have each been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery by the Trustee, are valid and binding agreements enforceable against the County in accordance with their respective terms.

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

4. The Series 2024 Bonds are valid and binding obligations of the County enforceable in accordance with their terms. No deficiency judgment may be rendered against the County in any action for breach of a contractual obligation with respect to the Series 2024 Bonds, the Master Trust Agreement, the First Supplemental Trust Agreement or the Deed of Trust, the remedies provided by the Master Trust Agreement and the Deed of Trust, including foreclosure on the Mortgaged Property under the Deed of Trust, being the sole remedies available. The taxing power of the County is not and may not be pledged in any way, directly or indirectly, to secure any payments due under the Series 2024 Bonds, the Master Trust Agreement, the First Supplemental Trust Agreement or the Deed of Trust.

5. Assuming continuing compliance by the County with certain covenants to comply with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding, among other matters, use, expenditure and investment of the proceeds of the Series 2024 Bonds, and the timely payment of certain investment earnings to the United States Treasury, interest on the Series 2024 Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. Interest on the Series 2024 Bonds is not a specific preference item for purposes of the alternative minimum tax imposed by the Code; however, interest on the Series 2024 Bonds held by certain corporations is included in the computation of "adjusted financial statement income" for purposes of the federal alternative minimum tax imposed on such corporations.

6. Interest on the Series 2024 Bonds is exempt from all State of North Carolina income taxes.

The Internal Revenue Code of 1986, as amended, and other laws of taxation, including the laws of taxation of the State of North Carolina, of other states and of local jurisdictions, may contain other provisions that could result in tax consequences, upon which we render no opinion, as a result of the ownership or transfer of the Series 2024 Bonds or the inclusion in certain computations of interest that is excluded from gross income for purposes of federal and North Carolina income taxation.

The rights of the owners of the Series 2024 Bonds and the enforceability thereof and of the Trust Agreement and the Deed of Trust may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore and hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2024 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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APPENDIX E

DTC’S BOOK-ENTRY ONLY SYSTEM

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APPENDIX E

DTC's 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*"), 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "*Indirect Participants*" and collectively with the Direct Participants, the "*Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2024 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for 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 form 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 AGREEMENT, 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 OR 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 AGREEMENT TO BE GIVEN TO OWNERS; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS UPON ANY PARTIAL REDEMPTION OF THE 2024 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2024 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC and other sources the County believes to be reliable, and the County takes no responsibility for accuracy thereof.

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