

In the opinion of Bond Counsel, under existing law and subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs (as defined herein) (1) is excludable from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) is exempt from all present State of North Carolina income taxes. For a description of certain provisions of the Code that may affect the tax treatment of the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs for certain owners thereof, see the caption "LEGAL MATTERS – TAX TREATMENT" herein.

\$135,010,000
Limited Obligation Bonds
(County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B
Evidencing Proportionate Undivided Interests
in the Right to Receive Certain Revenues Pursuant to
an Installment Financing Contract Between
the Cabarrus County Development Corporation and the
COUNTY OF CABARRUS, NORTH CAROLINA

Dated: Date of Delivery

Due: As shown on the inside cover

This Official Statement has been prepared by the County of Cabarrus, North Carolina (the "County") to provide information on the Cabarrus County Development Corporation Limited Obligation Bonds (County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B (the "2024B LOBs"). 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 making an informed investment decision.

Security: The 2024B LOBs, together with any Additional Obligations (as defined herein) outstanding under the Indenture (as defined herein), evidence proportionate undivided interests in the right to receive certain Revenues (as defined herein) pursuant to an Installment Financing Contract, dated as of November 1, 2024 (the "Contract"), between the Cabarrus County Development Corporation (the "Corporation") and the County. As security for its obligations under the Contract, the County will execute and deliver to a deed of trust trustee for the benefit of the Corporation a Deed of Trust, Security Agreement and Fixture Filing dated as of November 1, 2024 (the "Deed of Trust"), granting, among other things, a lien of record on the Premises (as defined herein). The Corporation will assign all of its rights in the Deed of Trust and the Contract (except certain rights with respect to indemnification, the payment of certain expenses and receipt of certain notices) to the Trustee (as defined herein). *The Deed of Trust grants a first lien of record on the Premises, subject to Permitted Encumbrances (as defined in the Deed of Trust).*

THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST WITH RESPECT TO THE 2024B LOBS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY UNDER THE CONTRACT, AND TO THE EXTENT PROVIDED IN THE INDENTURE, CERTAIN PROCEEDS OF THE SALE OF THE 2024B LOBS, CERTAIN INVESTMENT EARNINGS, CERTAIN NET PROCEEDS (AS DEFINED IN THE CONTRACT), IF ANY, AND CERTAIN AMOUNTS REALIZED FROM ANY SALE OR LEASE OF THE PREMISES.

NONE OF THE CONTRACT, THE 2024B LOBS OR THE INTEREST WITH RESPECT THERETO CREATES A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE CONTRACT, 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 CONTRACT AND DUE TO THE OWNERS OF THE 2024B LOBS. SEE THE CAPTION "SECURITY AND SOURCES OF PAYMENT" HEREIN.

Redemption: The 2024B LOBs are subject to optional redemption before maturity as described herein.

**Executed and
Delivered
Pursuant to:**

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

Purpose: Proceeds of the 2024B LOBs will be used to provide funds (a) to pay the costs of the Project (as defined in the Indenture), including the specific current purpose of providing funds to pay all or a portion of the costs of the "2024B Project" (as defined herein) and (b) to pay certain expenses incurred in connection with the execution and delivery of the 2024B LOBs.

Interest Payment

Dates: August 1 and February 1 of each year, commencing February 1, 2025.

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

**Closing/Delivery
Date:**

On or about November 27, 2024.

Registration: Full book-entry only; The Depository Trust Company.

Trustee: Regions Bank, Atlanta, Georgia.

**Bond Counsel
& Corporation
Counsel:**

Maynard Nexsen PC, Charlotte, North Carolina.

County Counsel: Richard M. Koch, Esq., Charlotte, North Carolina.

**Underwriters'
Counsel:** Womble Bond Dickinson (US) LLP, Raleigh, North Carolina.

Financial Advisor: DEC Associates, Inc.

BofA Securities

PIPER | SANDLER

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP¹**\$135,010,000 Limited Obligation Bonds
(County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B**

<u>DUE</u> <u>AUGUST 1</u>	<u>PRINCIPAL</u> <u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>CUSIP¹</u>
2025	\$7,995,000	5.00%	3.00%	12677R EP8
2026	7,995,000	5.00	2.80	12677R EQ6
2027	7,985,000	5.00	2.71	12677R ER4
2028	7,985,000	5.00	2.75	12677R ES2
2029	7,985,000	5.00	2.79	12677R ET0
2030	7,985,000	5.00	2.88	12677R EU7
2031	7,985,000	5.00	2.91	12677R EV5
2032	7,985,000	5.00	2.97	12677R EW3
2033	7,985,000	5.00	3.05	12677R EX1
2034	7,985,000	5.00	3.12	12677R EY9
2035	5,515,000	5.00	3.19*	12677R EZ6
2036	5,515,000	5.00	3.26*	12677R FA0
2037	5,515,000	5.00	3.28*	12677R FB8
2038	5,515,000	5.00	3.30*	12677R FC6
2039	5,515,000	5.00	3.33*	12677R FD4
2040	5,515,000	5.00	3.42*	12677R FE2
2041	5,515,000	5.00	3.55*	12677R FF9
2042	5,515,000	5.00	3.64*	12677R FG7
2043	5,510,000	5.00	3.67*	12677R FH5
2044	5,510,000	5.00	3.72*	12677R FJ1

*Yield to August 1, 2034 call date at par.

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No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor will there be any sale of the 2024B LOBs by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, the Corporation and other sources that are deemed to be reliable.

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

NEITHER THE 2024B LOBS NOR THE INDENTURE HAVE BEEN REGISTERED WITH THE UNITED STATES 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 2024B LOBS AND THE INDENTURE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2024B LOBS AND THE INDENTURE HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, WILL 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 2024B LOBS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2024B LOBs will under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

Regions Bank, as Trustee, has not provided or undertaken to determine the accuracy of any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of information, (ii) the validity of the Series 2024B LOBs, or (iii) the tax status of the interest on the Series 2024B LOBs.

BofA Securities, Inc. and Piper Sandler & Co. (the "Underwriters") have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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\$135,010,000
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the Cabarrus County Development Corporation and the

COUNTY OF CABARRUS, NORTH CAROLINA

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the execution, sale and delivery of the Cabarrus County Development Corporation Limited Obligation Bonds (County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B, in the aggregate principal amount of \$135,010,000 (the “2024B LOBs”).

The 2024B LOBs evidence proportionate undivided interests in the right to receive certain Revenues (as defined in “SECURITY AND SOURCES OF PAYMENT - GENERAL”) under and pursuant to an Installment Financing Contract, dated as of November 1, 2024 (the “Contract”), between the Cabarrus County Development Corporation, a North Carolina nonprofit corporation (the “Corporation”), and the County of Cabarrus, North Carolina (the “County”). The 2024B LOBs will be delivered pursuant to an Indenture of Trust, dated as of November 1, 2024 (the “Indenture”), between the Corporation and Regions Bank, as trustee (the “Trustee”).

Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out under the caption “DEFINITIONS” in Appendix B hereto.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the delivery of this Official Statement nor of the 2024B LOBs shall under any circumstances create an implication that there has been no change in the County’s affairs since the date of this Official Statement.

THE CORPORATION

The Corporation is a nonprofit corporation organized under the North Carolina Nonprofit Corporation Act. The Corporation was organized for the purpose of assisting the County in carrying out its municipal and governmental functions through the financing, acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. See “THE CORPORATION” herein.

THE COUNTY

The County is a political subdivision of the State of North Carolina (the “State”). See “THE COUNTY” herein for certain information regarding the County. Certain information from the County’s most recent audited financial statements is contained in Appendix A hereto.

PURPOSE

The County is entering into the Contract to provide the funds (a) to pay the costs of the Project (as defined in the Indenture), including the specific current purpose of providing funds to pay all or a portion of the costs of the “2024B Project” (as defined herein) and (b) to pay certain expenses incurred in connection with the execution and delivery of the 2024B LOBs. See “THE 2024B PROJECT” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

SECURITY

The 2024B LOBs and any additional obligations executed and delivered under the Indenture (the “Additional Obligations” and, together with the 2024B LOBs, the “Obligations”) evidence proportionate undivided interests in the right to receive certain Revenues, including Installment Payments to be made by the County under the Contract and such moneys as may be on deposit from time to time under the Indenture. As security for its obligations under the Contract, the County will execute and deliver to the trustee (the “Trustee”) for the benefit of the Corporation a Deed of Trust, Security Agreement and Fixture Filing, dated as of November 1, 2024 (the “Deed of Trust”), granting, among other things, a first lien of record on the real property on which the Fred L. Wilson Elementary School (as defined under “THE 2024B PROJECT”) is located and all improvements thereon (the “Premises”), subject only to Permitted Encumbrances (as defined in the Deed of Trust). See “SECURITY AND SOURCES OF PAYMENT - Deed of Trust – The Premises” herein for a description of the Premises. The Corporation will assign substantially all of its rights in the Contract and the Deed of Trust to the Trustee pursuant to the Indenture. A release of all or part of the Premises from the Deed of Trust is permitted provided that certain conditions are met. See “SECURITY AND SOURCES OF PAYMENT - Deed of Trust” herein and “THE DEED OF TRUST - Release of Premises” in Appendix B hereto.

If a default occurs under the Contract, the Trustee can direct the Deed of Trust Trustee to foreclose on the Premises and apply the proceeds received as a result of any such foreclosure to the payment of the amounts due to the Owners of the 2024B LOBs and all other Obligations. NO ASSURANCE CAN BE GIVEN THAT ANY SUCH PROCEEDS WILL BE SUFFICIENT TO PAY THE PRINCIPAL AND THE INTEREST WITH RESPECT TO THE 2024B LOBS. IN ADDITION, NO DEFICIENCY JUDGMENT CAN BE OBTAINED AGAINST THE COUNTY IF THE PROCEEDS FROM ANY SUCH FORECLOSURE SALE (TOGETHER WITH OTHER FUNDS THAT MAY BE HELD BY THE TRUSTEE UNDER THE INDENTURE) ARE INSUFFICIENT TO PAY THE 2024B LOBS IN FULL. NEITHER THE 2024B LOBS NOR THE COUNTY’S OBLIGATION TO MAKE PAYMENTS UNDER THE CONTRACT CONSTITUTE A PLEDGE OF THE COUNTY’S FAITH AND CREDIT WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION. See “SECURITY AND SOURCES OF PAYMENT” herein.

THE 2024B LOBS

The 2024B LOBs will be dated as of their date of delivery. Interest with respect to the 2024B LOBs is payable on August 1 and February 1 of each year, beginning February 1, 2025 at the rates set forth on the inside cover page of this Official Statement. Principal of the 2024B LOBs is payable, subject to prior redemption as described herein, on August 1 in the years and in the amounts set forth on the

inside cover page of this Official Statement. The 2024B LOBs are offered in denominations of \$5,000 and whole multiples thereof. See “THE 2024B LIMITED OBLIGATION BONDS” herein.

BOOK-ENTRY ONLY

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

TAX TREATMENT

In the opinion of Bond Counsel, under existing law and subject to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), as described herein, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs (as defined herein) (1) is excludable from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (2) is exempt from all present State of North Carolina income taxes. For a description of certain provisions of the Code that may affect the tax treatment of the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs for certain owners thereof, see the caption “LEGAL MATTERS - TAX TREATMENT” herein.

PROFESSIONALS

BofA Securities, Inc. and Piper Sandler & Co. (the “Underwriters”) are underwriting the 2024B LOBs. Regions Bank, Atlanta, Georgia, is serving as Trustee with respect to the 2024B LOBs. DEC Associates, Inc., Charlotte, North Carolina, is serving as Financial Advisor to the County. Maynard Nexsen PC, Charlotte, North Carolina, is serving as Bond Counsel and counsel to the Corporation. Richard M. Koch, Esq., Charlotte, North Carolina, is serving as counsel to the County. Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, is serving as counsel to the Underwriters.

ADDITIONAL INFORMATION; CONTINUING DISCLOSURE

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the County at Cabarrus County, Governmental Center, 65 Church Street S, Suite 288, Concord, North Carolina 28025, Attention: Finance Director, (704) 920-2104. Copies of such documents can also be obtained during the offering period from the Underwriters at BofA Securities, Inc., 620 South Tryon Street, 25th Floor, Charlotte, North Carolina 28255. After the offering period, copies of such documents may be obtained from the Trustee at Corporate Trust Department, 1180 West Peachtree Street, Suite 1200, Atlanta, Georgia 30309.

The County will undertake in the Contract to provide continuing disclosure of certain annual financial information and operating data and certain material events regarding the 2024B LOBs. See “CONTINUING DISCLOSURE OBLIGATION” herein.

THE 2024B LIMITED OBLIGATION BONDS

AUTHORIZATION

The 2024B LOBs will be executed and delivered pursuant to the Indenture, and evidence proportionate undivided interests in rights to receive certain Revenues under the Contract. The County is

entering into the Contract under the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Board of County Commissioners (the “*Board*”) authorized the County’s execution and delivery of the Contract by a resolution adopted on August 5, 2024. In addition, the County’s application for the required approval of the North Carolina Local Government Commission (the “*LGC*”) to enter into the Contract was approved by the LGC on November 12, 2024. See “THE 2024B PROJECT” herein.

The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in North Carolina. Its approval is required for substantially all bond issues and other local government financing arrangements in North Carolina. Under Section 159-151 of the General Statutes of North Carolina, as amended, the LGC must determine, prior to approving an installment financing, 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 financing agreement are not excessive for the local government.

GENERAL

Payment Terms. The 2024B LOBs will be dated as of their date of delivery. Interest with respect to the 2024B LOBs is payable on August 1 and February 1 of each year, beginning February 1, 2025, to each Owner as its name and address appear on the register kept by the Trustee on the fifteenth day (whether or not a Business Day) of the month next preceding a payment date, at the rates set forth on the inside cover page of this Official Statement (calculated on the basis of a 360 day year consisting of twelve 30 day months). Principal of the 2024B LOBs is payable, subject to prior redemption as described herein, on August 1 in the years and in the amounts set forth on the inside cover page of this Official Statement. Payments will be effected through DTC. See Appendix D hereto.

Registration and Exchange. So long as DTC or its nominee is the registered owner of the 2024B LOBs, transfers and exchanges of beneficial ownership interests in the 2024B LOBs will be available only through DTC Direct Participants and DTC Indirect Participants. See Appendix D hereto. The Indenture describes provisions for transfer and exchange applicable if a book entry only system is no longer in effect. These provisions generally provide that the transfer of the 2024B LOBs is registrable by the Owners thereof, and the 2024B LOBs may be exchanged for an equal aggregate, unprepaid principal amount of 2024B LOBs of the authorized denomination, only upon presentation and surrender of the 2024B LOBs to the Trustee at the principal corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any shipping and tax or other governmental charge required to be paid in connection with such transfer or exchange.

REDEMPTION PROVISIONS

Optional Redemption. The 2024B LOBs maturing on or before August 1, 2034 are not subject to optional redemption prior to maturity. The 2024B LOBs maturing on or after August 1, 2035 may be redeemed before their maturities at the option of the County, from any funds that may be available for such purpose, in whole or in part on any date on or after August 1, 2034. Such redemption may be made, upon notice as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the 2024B LOBs to be redeemed, together with accrued interest to the date fixed for redemption.

Selection. If called for redemption in part, the 2024B LOBs to be redeemed shall be redeemed in such order as the County shall select and within the same maturity as selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the 2024B LOBs is discontinued, by lot within a maturity in such manner as the Trustee in its discretion may determine.

Effect of Call for Redemption. The 2024B LOBs subject to redemption are due and payable on the redemption date at the applicable redemption price plus accrued interest to the redemption date. If the required notice of redemption has been given and moneys in an amount sufficient for the redemption (plus accrued interest to the redemption date) have been set aside in the Redemption Fund, interest with respect to the 2024B LOBs to be redeemed will cease to accrue and become payable, and the Owners of such 2024B LOBs will have no rights in respect of such 2024B LOBs or portions thereof except to receive payment of the redemption price and accrued interest from the funds held by the Trustee for such purpose.

Notice of Redemption. The Trustee will mail, first-class, postage prepaid, a notice of redemption of any 2024B LOBs at least 30 days and not more than 60 days prior to the redemption date to DTC or its nominee or, if DTC or its nominee is no longer the Owner of the 2024B LOBs to be redeemed, to the then-registered Owners of the 2024B LOBs to be redeemed at their addresses appearing on the registration books maintained by the Trustee, but failure to receive any such notice or any defect in such notice will not affect the validity of the proceedings for the redemption of 2024B LOBs or portions thereof of any Owner who received such notice. In addition, notice of redemption will be given to the LGC and to the Municipal Securities Rulemaking Board in compliance with the Contract and Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE OBLIGATION” herein.

THE 2024B PROJECT

A portion of the proceeds of the 2024B LOBs will be used on the date of the execution and delivery of the 2024B LOBs to provide funds to pay all or a portion of the costs of (a)(i) the acquisition, construction, installation and equipping of a new public library and senior center, (ii) the acquisition, construction, installation and equipping of a new public elementary school, (iii) the acquisition, construction, installation and equipping of a new addition at Fred L. Wilson Elementary School, (iv) the acquisition, construction, relocation, installation and equipping of the Mary Frances Wall Public School, (v) the acquisition, construction, relocation, installation and equipping of the Opportunity Public School, (vi) the acquisition, construction, installation and equipping of HVAC replacements at Rowan-Cabarrus Community College South Campus, (vii) the acquisition, construction, installation and equipping of roof replacements at various public school sites, (viii) the acquisition, construction, installation and equipping of HVAC replacements at various public school sites, (ix) the acquisition of any necessary rights-of-way and easements related to each of the foregoing (i) through (viii) and (x) various real and personal property improvements related to each of the foregoing (i) through (ix) (collectively, the “2024B Project”).

The Premises, which serve as the security for the County’s obligations related to the 2024B LOBs under the Deed of Trust, consist of the Fred L. Wilson Elementary School and all improvements thereon. None of the other components of the 2024B Project will be pledged as collateral for the 2024B LOBs.

The Fred L. Wilson Elementary School is located on a 10.63 acre campus in the City of Kannapolis. This portion of the 2024B Project includes a 33,405 square foot addition to the existing 73,143 square foot school facility. The addition project, which is currently under construction, will add 16 classrooms, small offices, smaller classrooms for specialized education services and move the media center to accommodate a more orderly traffic flow throughout the facility. The addition is in response to rapid student growth in the area. The Fred L. Wilson Elementary School is a dual language and global studies magnet school and it is expected that the student population will increase due to the popularity of the magnet program. The addition project is expected to be complete by August 1, 2025 to be open for the 2025-2026 school year.

ESTIMATED SOURCES AND USES OF FUNDS

The following table presents information as to the estimated sources and uses of funds relating to the 2024B LOBs:

Sources of Funds:

Par Amount	\$135,010,000
Original Issue Premium	<u>14,723,430</u>
TOTAL SOURCES	<u>\$149,733,430</u>

Uses of Funds:

Costs of the 2024B Project	\$148,844,019
Costs of Issuance ¹	<u>889,411</u>
TOTAL USES	<u>\$149,733,430</u>

¹ Includes Underwriters' discount, legal fees, printing fees, rating fees and other miscellaneous transaction costs.

SECURITY AND SOURCES OF PAYMENT

GENERAL

The 2024B LOBs are payable from certain Revenues payable by the County under and pursuant to the Contract. The term "*Revenues*" is defined in the Contract as (a) all Net Proceeds not applied to the repair or replacement of the Premises; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture. The term "*Net Proceeds*" means (i) proceeds from policies of insurance on the Premises which are payable to the Corporation or the Trustee, (ii) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Premises, or (iii) proceeds from any sale or lease of the Premises pursuant to the Deed of Trust or otherwise subsequent to an Event of Default, in each case after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds.

INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

Under the Contract, the County is required to pay Installment Payments directly to the Trustee semiannually on the July 27 preceding each August 1 and the January 27 preceding each February 1 in amounts sufficient to provide for the payment of the principal of and interest with respect to the 2024B LOBs. Installment Payments payable for any period will be reduced by certain investment earnings and other amounts, including accrued interest, on deposit in the Bond Fund available to pay the principal or interest with respect to the 2024B LOBs.

The County also is obligated to pay Additional Payments in amounts sufficient to pay the fees and expenses of the Trustee and the Corporation under the Contract, and taxes or other expenses required to be paid pursuant to the Contract. Additional Payments are to be paid by the County directly to the person or entity to which such Additional Payments are owed.

In connection with both Installment Payments and Additional Payments, the appropriation of funds therefor is within the sole discretion of the Board. See "SECURITY AND SOURCES OF PAYMENT – BUDGET AND APPROPRIATION" herein.

BUDGET AND APPROPRIATION

Pursuant to the Contract, the County shall (a) cause its Budget Officer as statutorily defined to include the Installment Payments and the reasonably estimated Additional Payments coming due in each fiscal year in the corresponding annual budget request, (b) require that the deletion of such funds from the County's final budget or any amended budget be made only pursuant to an express resolution of the Board which explains the reason for such action, and (c) deliver notice to the Trustee, S&P, Moody's, Fitch and the LGC within five days after the adoption by the Board of the resolution described in clause (b) above. Nothing contained in the Contract, however, obligates the County to appropriate moneys contained in the proposed budget for the payment of the Installment Payments or the reasonably estimated Additional Payments coming due under either of the Contract.

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

INDENTURE

Under the Indenture, the Corporation assigns to the Trustee for the benefit of the Owners of the 2024B LOBs (a) all rights, title and interest of the Corporation in the Contract (except its rights to indemnification, the payment of certain expenses and the receipt of certain notices), including the right to receive the Revenues, (b) all rights, title and interest of the Corporation as beneficiary under the Deed of Trust, including its right, title and interest in the Premises (except its rights in respect of indemnification and the receipt of certain notices) and (c) all moneys and securities from time to time held by the Trustee under the Indenture.

DEED OF TRUST

The Deed of Trust. The County will execute the Deed of Trust conveying the Premises to the Deed of Trust Trustee as security for its obligations under the Contract. When duly and properly recorded, the Deed of Trust will constitute a first lien of record on the Premises, subject only to Permitted Encumbrances and will be insured under a title insurance policy in an initial amount equal to \$20,000,000.

The Premises. The Premises consist of the real property on which Fred L. Wilson Elementary School is located and all improvements thereon. None of the other sites constituting a portion of the 2024B Project will be pledged as collateral for the 2024B LOBs.

Release of Security – Deed of Trust. SO LONG AS THERE IS NO EVENT OF DEFAULT UNDER THE DEED OF TRUST, THE DEED OF TRUST TRUSTEE WILL RELEASE PORTIONS OF THE PREMISES FROM THE LIEN OF THE DEED OF TRUST UPON COMPLIANCE WITH THE REQUIREMENTS OF THE DEED OF TRUST. Any release of Premises from the lien of the Deed of Trust will occur only when and if:

(a) there is filed with the Corporation a certified copy of the resolution of the Board stating the purpose for which the County desires such release, giving an adequate legal description of the part of the Premises to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release.

(b) In connection with the release of any part of the Premises constituting less than the entire Premises, (1) either (A) the value of the Premises remaining after the proposed release (as such value is evidenced by or derived from (i) an appraisal of the remaining

Premises prepared by a certified MAI-approved appraiser, (ii) the insured value of the remaining Premises or (iii) the assessed tax valuation of the remaining Premises) is not less than 50% of the aggregate principal components of the Installment Payments relating to the Obligations then Outstanding or (B) the County (i) provides for substitution 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 Premises and the Substitute Property (as such value is evidenced by or derived from (I) an appraisal of the remaining Premises and the Substitute Property prepared by a certified MAI-approved appraiser, (II) the insured value of the remaining Premises and the Substitute Property, or (III) the assessed tax valuation of the remaining Premises and the Substitute Property) is not less than the value of the Premises immediately before the proposed substitution or is not less than 50% of the aggregate principal components of the Installment Payments relating to the Obligations then Outstanding, and (2) the County delivers to the Deed of Trust Trustee and the Corporation an opinion of bond or special counsel to the County to the effect that (A) the substitution of such Substitute Property is permitted by law and is permitted under the terms of the Indenture and the Deed of Trust and (B) for any Obligations with respect to which the interest component of the Installment Payments 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 excludability of interest with respect to such Obligations from the gross income of the owners thereof for federal and state income tax purposes, and (3) the County records a release, amendment or modification to the Deed of Trust or such other instruments necessary to reflect such release of a part of the Premises and, if applicable, substitution of Substitute Property at the place and in the manner required by the laws of the State.

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

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

See "THE DEED OF TRUST - *Release of Premises*" in Appendix B hereto.

ENFORCEABILITY

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

THE CONTRACT DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY IN ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT.

If the County fails to make Installment Payments required under the Contract, the Trustee may declare the entire unpaid principal portion of the Installment Payments with respect to the Contract to be immediately due and payable and enforce its security interest granted by the County or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and may in accordance with law dispose of the Premises and apply the proceeds of any such disposition toward any balance owing by

the County under the Contract to make Installment Payments. No assurance can be given that such proceeds will be sufficient to pay the principal and interest with respect to the Obligations (including the 2024B LOBs).

IN ADDITION, SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA, AS AMENDED, 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 BY THE COUNTY UNDER THE CONTRACT. See “THE CONTRACT – Default and Remedies” and “THE DEED OF TRUST – Acceleration upon Default, Additional Remedies” in Appendix B hereto and “CERTAIN RISKS OF 2024B LIMITED OBLIGATION BOND OWNERS” herein.

ADDITIONAL OBLIGATIONS

So long as the Contract remains in effect and no Event of Default has occurred and is continuing, under the conditions described in the Indenture and without the approval or consent of the Owners of the Obligations, including the 2024B LOBs, Additional Obligations may be delivered to provide funds to pay (a) the cost of renovating, equipping or expanding the Project or acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by the County for public purposes; (b) the cost of refunding of all or any portion of the Obligations then Outstanding, any other installment financing obligations of the County or any other debt obligations of the County; and (c) the cost of the execution, delivery and sale of the Additional Obligations, including such other costs reasonably related to a refunding under subparagraph (b) above. See “THE INDENTURE – Execution and Delivery of Obligations; Additional Obligations” in Appendix B hereto.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

GENERAL

The County may pay its Installment Payments from any source of funds legally available to it in each year and appropriated therefor by the Board during the term of the Contract.

GENERAL FUND REVENUES

The County’s actual general fund revenues, excluding other financing sources, for the fiscal years ended June 30, 2023 were \$317,858,562. The County’s general fund revenues for the fiscal year ending June 30, 2024 are estimated to be approximately \$372,500,000 (excluding any appropriation from the general fund balance). The County’s general fund budget for the fiscal year ending June 30, 2025 projects that general fund revenues will be approximately \$391,219,164 (excluding any appropriation from the general fund balance). General fund revenues are derived from various sources, including property taxes (which accounted for approximately 66.9% of the general fund revenues for the fiscal year ended June 30, 2024), sales taxes, fines and forfeitures and intergovernmental revenues. The County imposed a property tax of \$0.74 per \$100 of assessed value for the fiscal year ended June 30, 2024. The most recent revaluation of real property will become effective with the fiscal year 2025 tax levy. Property values are estimated to increase by over 40% in the revaluation. For such fiscal year ending June 30, 2025, the County adopted a budget imposing a property tax of \$0.576 per \$100 of assessed value. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of a voter referendum. See Appendix A hereto for financial information relating to the County for the fiscal year ended June 30, 2023, which is

the most recent fiscal year for which an audit has been performed with respect to the County’s financial statements. For a discussion of the most recent revaluation and the budget for the fiscal year ending June 30, 2025, see “BUDGET COMMENTARY AND OUTLOOK – Fiscal Year 2025” below.

INSTALLMENT PAYMENT SCHEDULE

The following table sets forth, for each fiscal year ending June 30, the amount of principal and interest required to be paid under the Contract with respect to the 2024B LOBs.¹

Fiscal Year	2024B LOBs Principal	2024B LOBs Interest	Total
2025		\$1,200,089	\$ 1,200,089
2026	\$7,995,000	6,550,625	14,545,625
2027	7,995,000	6,150,875	14,145,875
2028	7,985,000	5,751,375	13,736,375
2029	7,985,000	5,352,125	13,337,125
2030	7,985,000	4,952,875	12,937,875
2031	7,985,000	4,553,625	12,538,625
2032	7,985,000	4,154,375	12,139,375
2033	7,985,000	3,755,125	11,740,125
2034	7,985,000	3,355,875	11,340,875
2035	7,985,000	2,956,625	10,941,625
2036	5,515,000	2,619,125	8,134,125
2037	5,515,000	2,343,375	7,858,375
2038	5,515,000	2,067,625	7,582,625
2039	5,515,000	1,791,875	7,306,875
2040	5,515,000	1,516,125	7,031,125
2041	5,515,000	1,240,375	6,755,375
2042	5,515,000	964,625	6,479,625
2043	5,515,000	688,875	6,203,875
2044	5,510,000	413,250	5,923,250
2045	<u>5,510,000</u>	<u>137,750</u>	<u>5,647,750</u>
TOTAL	<u>\$135,010,000</u>	<u>\$62,516,589</u>	<u>\$197,526,589</u>

¹ See “THE COUNTY – DEBT INFORMATION – *Other Long-Term Commitments*” herein for a table showing debt service on the County’s capital lease and other installment financing agreements.

CERTAIN RISKS OF 2024B LIMITED OBLIGATION BOND OWNERS

2024B LOBs Owners may be subject to the following risks:

INSUFFICIENCY OF INSTALLMENT PAYMENTS

If Installment Payments by the County are insufficient to pay the principal or interest with respect to the 2024B LOBs as the same become due or if another event of default occurs under the Contract, the Trustee may accelerate the 2024B LOBs and all unpaid principal amounts due by the County under the Contract, direct the Deed of Trust Trustee to foreclose on the Premises under the Deed of Trust or take possession of the Premises and attempt to dispose of the Premises. See the caption “THE CONTRACT” in Appendix B hereto.

Zoning restrictions, easements, restrictive covenants and other land use factors and encumbrances relating to the Premises may limit the use of the Premises and may affect the proceeds obtained on any disposition by the Deed of Trust Trustee. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH DISPOSITION OF THE PREMISES WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE OBLIGATIONS (INCLUDING THE 2024B LOBs).

SECTION 160A-20(F) OF THE GENERAL STATUTES OF NORTH CAROLINA, AS AMENDED, PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE CONTRACT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF ANY OBLIGATIONS (INCLUDING THE 2024B LOBs) ON A DEFAULT BY THE COUNTY UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE PREMISES UNDER THE DEED OF TRUST.

RISK OF NONAPPROPRIATION

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

VALUE OF COLLATERAL

The Premises are subject to various utility and other easements. Any purchaser at a foreclosure on the Premises would be subject to such easements and use restrictions. No special appraisal of the Premises has been obtained and the amount of proceeds received through foreclosure of the County's interest in the Premises may be affected by a number of factors, including (1) the costs and expenses in enforcing the lien and security, (2) the condition of the Premises, (3) the occurrence of any damage, destruction, loss or theft of the Premises which is not repaired or replaced and for which there are not received from insurance policies or appropriated moneys from any risk management program, (4) problems relating to the paucity of alternative uses of the facilities arising from their design, zoning restrictions, use restrictions, easements and encumbrances on the Premises and (5) environmental problems and risks with respect to the Premises.

The Trust Agreement permits the issuance of Additional Obligations without regard to the value of the Premises, and the Deed of Trust allows for up to \$400,000,000 in principal amount of present and future obligations to be secured thereby. To the extent that Additional Obligations are issued and no additional property is subject to the Deed of Trust, the value of the collateral as a percentage of the outstanding principal amount of Bonds should be expected to decrease, which decrease may be material.

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

UNINSURED CASUALTY AND CONDEMNATION

If all or any part of the Premises is damaged or destroyed by any casualty or taken by any governmental authority, the County is obligated under the Contract to apply the Net Proceeds from insurance or condemnation to repair, restore or rebuild the Premises unless the Net Proceeds are less than \$100,000 and not necessary to restore the affected portion of the Premises to its intended use. If the Net Proceeds are not sufficient to repair, restore or rebuild the Premises to its condition prior to such damage, destruction or taking, the value of the Premises may be impaired. The Contract requires that certain insurance be maintained with respect to the Premises. Such insurance may not, however, cover all perils to which the Premises is subject.

OUTSTANDING GENERAL OBLIGATION DEBT OF THE COUNTY

The County has issued general obligation bonds and may issue general obligation bonds and notes in the future. The County has pledged and will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes. See “THE COUNTY - DEBT INFORMATION” herein. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

DILUTION OF COLLATERAL

Because the execution and delivery of Additional Obligations is not premised on the concurrent addition of property to the Premises under the Deed of Trust, it is possible that an Owner of the 2024B LOBs may end up in a parity position with the Owners of Additional Obligations, but without sufficient collateral in the event that the County fails to make Installment Payments required under the Contract and the Trustee institutes foreclosure proceedings. See “SECURITY AND SOURCES OF PAYMENT—DEED OF TRUST – The Premises” for a description of the Premises.

ENVIRONMENTAL RISKS

The County has not conducted and is not aware of any prior environmental site assessments relating to the Fred L. Wilson Elementary School. The County must, under the Contract, undertake whatever environmental remediation may be required by law. For example, if any portion of the Premises become 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 Premises because of environmental contamination of the Premises, the value of the Premises at foreclosure would be reduced by the cost of any clean-up.

BANKRUPTCY

Under North Carolina law, a local governmental unit such as the County may not file for bankruptcy protection without (1) the consent of the LGC and (2) the satisfaction of the requirements of §109(c) of the United States Bankruptcy Code. If the County were to initiate bankruptcy proceedings with the consent of the LGC and satisfy the requirements of 11 U.S.C. §109(c), the bankruptcy proceedings could have material and adverse effects on holders of the 2024B LOBs, 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 2024B LOBs. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the holders of the 2024B LOBs 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.

CYBERSECURITY

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

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the County invests in multiple forms of cybersecurity and operational safeguards. The County employs a three-member cybersecurity team within its Information Technology Department to help curtail cybersecurity attacks, uses multiple software protections and annual internal training for all employees. Additionally, a third party company is used to help verify vendors.

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

THE CORPORATION

The Corporation is organized under the North Carolina Nonprofit Corporation Act (Chapter 55A-1 *et seq.* of the General Statutes of North Carolina, as amended, the “Act”) and is authorized under the Act to carry out the purposes set forth in its articles of incorporation. The Corporation was organized for the purpose of, among other things, assisting the County in carrying out its municipal and governmental functions through the financing, acquisition, construction, operation, sale or lease of real estate, improvements and facilities such as the Premises and to enter into agreements with the County and other relevant parties to facilitate such essential projects. Pursuant to its articles of incorporation, the Corporation is empowered to buy, hold, own, sell, assign, mortgage or lease any interest in real estate and personal property in the manner contemplated by the Contract and to construct, maintain and operate improvements thereon necessary or incident to the accomplishment of the purpose of promoting the general welfare of the citizens of the County by assisting the County in carrying out its municipal and governmental functions through the acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. The Corporation has no taxing power.

The Board of Directors of the Corporation consists of three directors who serve until their successors are elected following three-year terms. The following individuals are currently serving as (i) the directors of the Corporation and (ii) the officers of the Corporation, as indicated opposite their respective names:

<u>Name</u>	<u>Office</u>
Michael Downs	President
James Howden	Treasurer
Lauren Linker	Secretary

The officers and directors of the Corporation presently serve without compensation. The Corporation has no assets or employees.

THE COUNTY

GENERAL DESCRIPTION

The County is located in the Piedmont section of the State and is bounded on the north by Rowan and Iredell Counties, on the east by Stanly County, on the south by Union County and on the west by Mecklenburg County. It comprises approximately 230,400 acres. There are six municipalities in the County, the largest of which is the City of Concord (“Concord”), which is also the County seat. Concord is situated approximately 18 miles northeast of the City of Charlotte, North Carolina (“Charlotte”) and 124 miles from the City of Raleigh, North Carolina. The second largest municipality is the City of Kannapolis (“Kannapolis”). The Towns of Mount Pleasant (“Mount Pleasant”), Harrisburg (“Harrisburg”), Midland (“Midland”) and Locust (“Locust”) are smaller municipalities in the County.

DEMOGRAPHIC CHARACTERISTICS

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

<u>2000</u>	<u>2010</u>	<u>2020</u>
131,063	178,011	225,804

The County’s population as of June 30 of each of the following years has been estimated to be as follows by the United States Census Bureau:

<u>2021</u>	<u>2022</u>	<u>2023</u>
227,065	231,726	235,797

The County's July 2023 estimated population is divided among the six municipalities and unincorporated areas approximately as follows:

Concord	110,886
Kannapolis ¹	45,618
Harrisburg	20,652
Midland ¹	5,198
Mt. Pleasant	1,742
Locust ¹	569
Unincorporated areas	51,132

Source: North Carolina State Demographics Office, Office of State Budget and Management

¹ Includes only Cabarrus County residents.

Per capita income data for the County and the State for the most recent five calendar years for which information is available are presented in the following table (latest data available):

<u>Year</u>	<u>County</u>	<u>State</u>
2018	\$44,314	\$46,040
2019	46,141	48,366
2020	49,313	51,781
2021	52,883	56,705
2022	54,754	58,109

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

COMMERCE AND INDUSTRY

Overview. The County is one of 10 counties located in the Charlotte-Gastonia-Concord, NCSC Metropolitan Statistical Area (the “Charlotte MSA”), which consists of Cabarrus, Gaston, Iredell, Lincoln, Mecklenburg, Rowan and Union Counties in North Carolina and Chester, Lancaster and York Counties in South Carolina. The Charlotte MSA, which is anchored by Charlotte, was the 22nd largest metropolitan area in the United States as of the 2020 census.

The County's rapid growth, largely attributable to the County's position in the Charlotte metropolitan region, has continued to increase in recent years. The County believes that its short-range and long-range planning has provided the necessary infrastructure to accommodate current and anticipated growth, and the County cooperates with its municipalities in economic recruiting and development efforts. The Cabarrus Economic Development Corporation (the “CEDC”), which operates with a full-time staff, serves as the primary recruiting and marketing entity. The CEDC concentrates its efforts on business retention and expansion, entrepreneurship and new business recruitment. These efforts include keeping an inventory of available sites within commercial and industrial parks with all municipal services available located near major highways and interstates. In partnership with Flywheel, CEDC launched the Cabarrus Center for Innovation and Entrepreneurship in 2021 (the “Cabarrus Center”). The Cabarrus Center is a business support hub that offers meeting and events space, educational workshops, networking events, business resources, mentorship services, and a host of amenities to support entrepreneurs who are launching or growing their businesses.

Historically, the County's economy was primarily dependent on agriculture and the textile industry, but the County's proximity to Charlotte and access to major interstate highways have helped diversify the County's economy through investments in biotechnology, healthcare, manufacturing,

industrial and business parks, warehousing and distribution, entertainment and hospitality, retail and aviation.

A summary of significant recent events in these and other industries follows:

Biotechnology. A major initiative in Kannapolis over the last decade has been the development of the approximately 350 acres of the North Carolina Research Campus (the “Research Campus”). The Research Campus houses state-of-the-art research equipment, research space and laboratory space that brings together researchers and scientists from the public and private sector to collaborate on advancements in biotechnology, nutrition and health. The Research Campus houses researchers and staff from Appalachian State University, the David H. Murdock Research Institute, Duke University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina State University, the University of North Carolina at Chapel Hill, the University of North Carolina at Charlotte and the University of North Carolina at Greensboro. Private and quasi-private sector partners include Atrium Health, Cabarrus Health Alliance, Rowan-Cabarrus Community College, BeaconPoint Labs, Eremid, NC Food Innovation Lab, Genixus, Bright Path Laboratories, NorthState Technology Solutions, R&S Chemicals, Standard Process and Spectrum Discovery Center.

To facilitate further development on the Research Campus and finance public improvements, Kannapolis created the North Carolina Research Campus Financing District (the “Development District”), pursuant to the State’s project development financing act. The Development District is comprised of approximately 863 acres within the County and Rowan County. The Development District was created to finance infrastructure within and around the Development District to support the Research Campus. The boundaries of the Development District were created to capture the area in which such infrastructure was needed. The Research Campus is approximately 240 acres within the Development District. Kannapolis issued \$35 million in limited obligation bonds in 2010 (the “Kannapolis Bonds”) to finance public infrastructure in the Development District. Pursuant to an Interlocal Agreement between the County and Kannapolis executed in connection with the issuance of the Kannapolis Bonds, the County agreed to pay a portion of its incremental ad valorem tax revenues actually collected in the Development District to Kannapolis to be used for the payment of not more than half of the annual payments of principal and interest due on the Kannapolis Bonds or any debt used to refund the Kannapolis Bonds. These payments end in the fiscal year ending June 30, 2027 and range from a high of \$1,331,402 in the fiscal year ending June 30, 2022 to a low of \$1,320,865 in the fiscal year ending June 30, 2027.

Downtown Kannapolis Revitalization. In 2015, Kannapolis acquired approximately 50 acres of downtown property. The purchase included eight blocks of buildings located on Oak Avenue, West Avenue, S. Main Street and West First Street, as well as property that housed the former Plant 4 Cannon Textile Mill, and included over 600,000 square feet of commercial buildings. Kannapolis issued \$52,000,000 aggregate principal amount Taxable Limited Obligation Bonds in November 2018 to finance the construction of a sports and entertainment venue now known as Atrium Health Ballpark (the “Stadium”) on a portion of the property acquired in 2015. The Stadium is home to the Kannapolis Cannon Ballers, a minor league baseball affiliate of the Chicago White Sox in the South Atlantic League. Construction on the Stadium was completed in the Spring of 2020.

Over 30 new businesses have opened on West Avenue across the street from the Stadium, including restaurants, a brewery and boutiques. The VIDA apartment complex, also across the street from the Stadium, opened in 2021 with an attached public parking deck, and construction is underway on an adjacent apartment complex called VIDA II, which is expected to be completed in late fall of 2024. Kannapolis has reached agreement with Right Field Development, LLC to develop two blocks adjacent to the Stadium with a mixed use of offices, restaurants, a condominium and hotel.

Healthcare. The County economy is emerging as a significant provider of healthcare services, due in part to Atrium Health Cabarrus, a 457-bed acute care public hospital which is part of the Atrium Health network of healthcare facilities. The hospital provides a full range of tertiary and surgical services. It has a Level III Trauma Center, The Jeff Gordon Children's Hospital, The Mariam Cannon Hayes Women's Center, The Batte Cancer Center and a few other specialized services and facilities. In August 2018, the hospital opened a new state-of-the-art heart and vascular tower costing \$115 million to house The Sanger Heart & Vascular Institute. Atrium Health Cabarrus has also built satellite facilities in Kannapolis and Harrisburg. The Cabarrus Health Alliance, which is a public health authority, also serves the County. The County does not directly contribute any funds to support Atrium Health Cabarrus, although indirectly it is responsible for the payment of certain Medicaid-eligible reimbursements.

Manufacturing. The principal products manufactured in the County include optical fiber, plastic extrusion, food processing, concrete products, lumber and wood, specialized coloring, fabricated metal and machinery products, corrugated packaging, automobile parts and racing electronics. One of the largest of these manufacturers is Corning. Corning's fiber optics facility is located in the southeastern part of the County and is the world's largest producer of fiber optic wire.

One of the largest industrial/manufacturing parcels in the State, The Grounds at Concord, is located in the center of the County. The former Philip Morris campus encompasses over 2,100 acres. Since 2019, the CEDC has announced over \$2 billion dollars of new investment and over 1,800 new jobs at the site, including manufacturing facilities for Eli Lilly, Red Bull, Ball and Rauch. The property is also adjacent to the George Liles Parkway, which has been extended and improved, providing a four-lane connector to U.S. 29, I-85, N.C. 73 and N.C. 3. In the future the four-lane thoroughfare will be extended to N.C. 49.

Industry and Distribution. The County has strong industrial and distribution sectors. This strength is due, in large part, to geographic location within the larger Charlotte MSA and the combination of road and rail service. In addition, the aviation sector is strong and growing. The primary areas that are currently occupied and growing lie along the interstate corridor, but there are also concentrations near Harrisburg and in the southern part of the County. In addition, there are areas with infrastructure in place, or being improved that are available for continued growth.

The International Business Park ("IBP") is located near an interchange on I-85. The owners of the IBP actively pursue private investment from around the world. IBP includes a mix of over 30 companies, the majority of which are global corporations. There are additional concentrations of industry and distribution along the interstate corridor at Afton Ridge and the Derita Road area. Afton Ridge includes retail, residential and distributions center for S.P Richards (200,000 square feet) and Gordon Foods (300,000 square feet). Along Derita Road in Concord, there is over 3 million square feet of industrial space occupied by various distribution and manufacturing operations.

The West Winds Industrial Park is located on Derita Road directly across from the airport entrance. Tenants in West Winds Industrial Park include Westrock Coffee (formerly S & D Coffee and Tea) and NASCAR Research & Development, as well as the NASCAR Productions Building. S & D Coffee and Tea is a long-time company in the County and its expansion to this area of the County included the addition of 200 jobs. West Winds is also home to 26 Acres Brewery.

The Kannapolis Gateway Business Park is an 85-acre park located one mile from an interchange on I-85 and features approximately 753,000 square feet of industrial space and a 12-acre retail center. A million square feet of distribution was recently constructed which houses an Amazon distribution center. The facility is a combined investment in real and personal property of over \$85 million and has a total of 600 plus full-time employees now that it is in full operation. At Interstate 85 at exit 60, a 750,000 square

foot industrial spec building, Metro 63, was recently completed and is ready for a manufacturing or distribution tenant.

The Midland Business Park and Intermodal Facility is a future business park to be built near N.C. Highway 24/27 and Highway 601. The Intertape Polymer Group completed a new manufacturing plant in Midland, and has announced two other expansion projects. That plant has a value of approximately \$40 million and more than 50 employees in the first phase.

Retail. The retail mix in the County includes sites that serve the local and regional economies. The regional magnet is Concord Mills Mall, which draws over 17 million visitors each year and continues to spur retail and non-retail development.

Additional retail centers have been constructed throughout the County because of the population increase that has occurred. Larger retail centers are concentrated along Interstate 85 and in Harrisburg. Smaller, grocery anchored centers have been developed and are developing in several locations within Kannapolis, Concord and Harrisburg.

Aviation. Since opening in 1994, Concord has developed and operated Concord Regional Airport (now Concord-Padgett Regional Airport) on approximately 750 acres surrounded by I-85, Concord Mills Boulevard, Derita Road, and Poplar Tent Road. The public use commercial service airport is managed by Concord's Aviation Department and operates as a self-sustaining enterprise fund. The airport has a 7,400-foot fully-instrumented and strengthened runway that can accommodate aircraft up to the size of a Boeing 737 or Airbus 320.

Concord Regional Airport's public facilities include a general aviation terminal, 32,000 square-foot commercial service terminal, and 700-space two-level parking facility. The airport also includes a variety of support facilities, hangars, and over twenty-five acres of ramp space for aircraft parking.

According to a 2021 NCDOT Division of Aviation economic impact analysis, Concord-Padgett Regional Airport contributed over \$831 million into the local economy and supported 5,070 jobs in the region. There are currently 119 aircraft based at the airport with a combined taxable value of \$218 million.

The airport is home to many private sector businesses providing aircraft maintenance and detailing, flight schools, aircraft charter services, air ambulance providers and more. The airport is also home to many NASCAR corporate aviation flight departments including Hendrick Motorsports, Stewart-Haas and Joe Gibbs Racing.

Allegiant Air began commercial service at the airport in December 2013. Commercial service is offered to nine destinations including Orlando Sanford International Airport and Louis Armstrong New Orleans International Airport. In 2020, 260,000 passengers flew commercial out of Concord-Padgett Regional Airport.

Avelo Airlines announced in July 2024 it has expanded services to the area and will utilize Concord-Padgett Regional Airport. By the end of 2024, Avelo Airlines will serve seven nonstop destinations to/from Concord-Padgett Regional Airport to New York, New Hampshire, Connecticut, Florida and Delaware.

Tourism and Hospitality. The County has transformed itself from a textile and tobacco based economy to one of the most thriving tourism economies in the State through its definable motorsports brand. This is due to the large concentration of motorsports attractions, including Charlotte Motor Speedway ("CMS"), as well as NASCAR-based teams such as Hendrick Motorsports, Roush Fenway

Keselowski Racing, and Stewart-Haas Racing, which provide race fans and visitors the opportunity to get a behind-the-scenes look at top racing teams. CMS is a major sports and recreation facility that regularly hosts activities that draw over 1,000,000 visitors per year. Each year, CMS hosts major motorsports events, including two major NASCAR racing events. Facilities at CMS include a seven-story office building and conference center topped by a restaurant and private club. The zMAX Dragway hosts several events including two NHRA-sanctioned events on the first four-lane drag strip in the world. The Dirt Track at Charlotte Motor Speedway hosts annual dirt racing events including the World of Outlaws World Finals and motocross races.

Additional very large scale attractions in the County include Concord Mills Mall and Great Wolf Lodge, which has the largest indoor water park in the Carolinas. The Concord Convention Center is a full service 45,000 square-foot convention center that hosts corporate and association meetings from around the region. The County operates an Arena & Events Center which is home to the annual Cabarrus County Fair, concerts, trade shows, sports/entertainment groups and a variety of other events throughout the year.

The County also offers many additional activities from the Carolina Thread Trail which is a regional walking and biking trail through 15 counties, historical areas like the Reed Gold Mine and Bost Grist Mill, art galleries, breweries, restaurants and wineries.

The Cabarrus County Tourism Authority (“CCTA”) markets the County utilizing the 6% Occupancy Tax levied on hotels. The budget for the fiscal year ending June 30, 2025 for the CCTA is estimated at \$6,839,646, which represents a 6.0% increase over the budget for the fiscal year ended June 30, 2024. The CCTA mission is to “Drive visitation to Cabarrus County to generate the maximum impact through hotel stays and visitor spending.”

The following table lists the 10 largest employers in the County.

<u>Employer</u>	<u>Service</u>	<u>Approximate Number of Employees</u>
Atrium Health	Health Care and Social Assistance	5,140
Cabarrus County Schools	Educational Services	4,410
Amazon.com Services Inc	Transportation and Warehousing	1,175
Wal-Mart Associates Inc.	Retail Trade	1,225
Cabarrus County	Public Administration	1,345
City Of Concord	Public Administration	1,123
Fedex Ground Package System Inc	Transportation and Warehousing	1,050
Corning Incorporated	Manufacturing	956
Shoe Show Inc	Management of Companies and Enterprises	811
Kannapolis City Schools	Education Services	745

Source: Cabarrus County Annual Comprehensive Financial Report June 30, 2023.

Construction activity in the County is shown in the following table, which summarizes the number and value of building permits for new construction issued in the County in the calendar years shown:

COMMERCIAL				RESIDENTIAL			
				<u>Single</u>		<u>Multi-family</u>	
<u>Year</u>	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Total</u>
2019	38	\$ 37,916,276	1,975	\$316,704,747	566	\$ 36,980,038	\$391,601,061
2020	111	112,355,439	1,859	383,968,773	616	46,199,459	542,523,671
2021	121	80,771,865	1,038	173,572,424	1,337	144,398,501	398,742,790
2022	143	229,499,445	1,551	263,127,490	409	44,505,473	537,132,408
2023	139	356,401,067	1,517	259,694,411	808	130,191,455	746,286,933
2024	72	85,529,989	1,869	305,475,248	409	39,023,536	430,028,773

Note: Mobile homes are excluded from figures.

Source: County Building Inspection Department. Data compiled by the Cabarrus County Planning Department.

The following table shows the total retail sales for the County during the most recent five fiscal years:

<u>Fiscal Year</u>	<u>Total Retail Sales</u>	<u>Increase (Decrease) over Previous Year</u>
2020	\$3,627,557,388	(1.70)%
2021	4,360,483,763	20.20
2022	4,938,277,630	13.25
2023	5,435,301,203	10.06
2024 ¹	5,668,257,746	4.29

Source: North Carolina Department of Revenue, Sales and Use Tax Division. (State sales and use tax reports by fiscal year).

¹Preliminary.

EMPLOYMENT

The North Carolina Department of Commerce, Division of Employment Security has estimated the percentage of unemployment in the County as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
January	3.7%	5.6%	3.7%	3.5%	3.5%
February	3.5	5.4	3.5	3.5	3.6
March	4.3	5.0	3.3	3.3	3.6
April	13.1	4.6	3.0	2.7	3.3
May	11.5	4.6	3.2	3.1	3.3
June	9.5	4.9	3.6	3.4	3.8
July	8.8	4.6	3.7	3.4	4.1
August	6.6	4.5	3.8	3.5	4.1
September	5.9	3.8	3.2	3.0	3.0
October	5.1	3.8	3.5	3.3	N/A
November	5.1	3.6	3.4	3.2	N/A
December	5.2	3.0	3.1	3.1	--

Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

State and national unemployment figures during the same period are shown in the below table:

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2019	3.6%	3.9%	3.7%
2020	6.8	7.2	8.1
2021	4.4	4.9	5.3
2022	3.4	3.7	N/A
2023	3.2	3.5	N/A

Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

GOVERNMENT AND MAJOR SERVICES

Government Structure. The County has a commission-manager form of government. The Board consists of five members elected at-large and constitutes the governing body responsible for the County's policies and programs. The terms of office of members of the Board are staggered in order to keep experienced persons on the Board at all times. A county manager appointed by the Board attends to the day-to-day administration of the County's government.

EDUCATION

The County has two public school systems: the Cabarrus County Administrative Unit, which serves 87% of the students, and the Kannapolis City Administrative Unit, which served the remaining 13% of the students as of the 2023-2024 academic year. The two school systems are operated and administered by two separate boards of education whose members are elected by the citizens residing in the respective school districts. Each board of education appoints a superintendent.

The State provides basic minimum funding for public school current expenses. These State funds are supplemented with County and other local and federal funds. The boards of education submit their budgets to the Board for approval.

For the fiscal year ended June 30, 2023, the administrative units in the County received their current expense funds from the above-mentioned three sources as follows:

<u>Administrative Unit</u>	<u>State</u>	<u>Federal</u>	<u>Local</u>	<u>Total</u>
Kannapolis City	\$ 38,978,623	\$ 8,941,701	\$12,948,962	\$ 60,869,286
Cabarrus County	242,221,828	40,193,035	86,626,173	369,041,036

A percentage breakdown of the above dollar amounts follows:

<u>Administrative Unit</u>	<u>State</u>	<u>Federal</u>	<u>Local</u>
Kannapolis City	64.0%	14.7%	21.3%
Cabarrus County	65.6	10.9	23.5

Financial support for capital outlay purposes of the administrative units for the last three fiscal years ended June 30 and a projection for the current fiscal year is shown in the table below:

<u>Administrative Unit</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-2024</u>
Kannapolis City	\$ 604,074	\$ 2,590,181	\$ 1,500,000	\$20,500,000
Cabarrus County	36,336,810	40,118,895	63,580,865	48,882,692

Local financial support for school capital outlay purposes is provided by the County primarily through the use of the local option sales and use taxes, bond proceeds and installment contracts. The State currently provides capital funding through the Public School Building Capital Fund. Neither the County nor Kannapolis levies any special supplemental tax for school purposes.

The County's approach to meeting the capital outlay needs of the school systems impacted by the fast growth experienced in the County has been to build schools as quickly as possible. Since July 1, 1996, the County has used \$19.8 million in installment financing contract proceeds, \$147 million in County general obligation bond proceeds, \$27.7 million in State matching grant funds, \$557 million in proceeds from certificates of participation and limited obligation bonds, \$8.9 million in Public School Building Capital Fund funds, \$83.9 million in County monies, \$4.1 million from Rowan County, \$1.5 million from Cabarrus County Convention and Visitor Bureau, \$800,000 from Kannapolis City Schools and \$15.7 million in lottery proceeds for public school construction.

The following tables illustrate the number of schools and the average daily membership ("ADM") for the past five school years and the current school year in each administrative unit:

Cabarrus County Administrative Unit

<u>Elementary Grades K-5</u>			<u>Middle Grades 6-8</u>		<u>Secondary Grades 9-12</u>	
<u>School Year</u>	<u>Number</u>	<u>ADM</u>	<u>Number</u>	<u>ADM</u>	<u>Number</u>	<u>ADM</u>
2019-20	20	14,667	10	8,274	11	10,649
2020-21	20	13,685	11	8,235	13	10,748
2021-22	20	14,292	11	8,192	13	10,943
2022-23	22	15,136	9	8,182	14	11,275
2023-24	22	15,333	9	8,129	14	11,660

Kannapolis City Administrative Unit

School Year	Elementary Grades K-5		Middle Grades 6-8		Secondary Grades 9-12	
	Number	ADM	Number	ADM	Number	ADM
2019-20	6	2,451	1	1,302	1	1,638
2020-21	6	2,517	1	1,343	1	1,591
2021-22	6	2,510	1	1,310	1	1,651
2022-23	6	2,421	1	1,234	1	1,736
2023-24	6	2,420	1	1,174	1	1,766

Note: ADM (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all administrative units in the State. The ADM computations are used as a basis for teacher allotments and for distribution of local funds if there is more than one administrative unit within a county.

Source: Superintendent's Office of each administrative unit.

The County provides current expense funds and a major portion of capital outlay funds for Rowan Cabarrus Community College ("RCCC"), which is a part of the State-wide system of community colleges and technical institutes. RCCC, which is accredited by the Commission of Colleges of the Southern Association of Colleges and Schools, provides advanced and professional, technical and vocational training beyond the high school level. RCCC offers a variety of curriculum programs and varied continuing education programs to support industry, public safety fields such as fire, law enforcement, and emergency medical services, medical fields, other occupational fields, extension services and varied community services. The approximate enrollment for the 2023-24 year is 7,109 curriculum students. The County appropriated \$3,951,954 for operating costs for RCCC for the fiscal year ended June 30, 2023 and appropriated \$4,316,397 for operating costs for RCCC for the fiscal year ending June 30, 2024. RCCC receives a majority of its funds for its annual budget from federal and State sources.

County residents also have access to Central Piedmont Community College in Charlotte or Gaston College in the City of Gastonia, both two-year institutions. Other senior learning institutions in the surrounding area are Pfeiffer College, Johnson C. Smith University, Queens College, Belmont Abbey College, Wingate University, Davidson College, Catawba College, Livingstone College, and The University of North Carolina at Charlotte, the only State university in the area. Only 15 miles from Concord, The University of North Carolina at Charlotte offers graduate degree programs as well as an undergraduate degree program. Wake Forest University offers an executive MBA program at facilities in downtown Charlotte.

TRANSPORTATION

Major expansion and maintenance of primary and secondary highways within the County are primarily the responsibility of the State. Municipalities within the County bear the responsibility for local street systems. The County has no responsibility for the construction or maintenance of streets and highways, although it may exercise the authority to do so under recent legislation. There are approximately 925 miles of roads in the County.

Primary routes are I-85 and U.S. Highways 29 and 601. The Cities of Concord and Kannapolis are bounded by these highways and heavily-traveled N.C. Highways 49 and 73. Both U.S. Highway 52 and N.C. Highway 24/27 in the County are also heavily-traveled.

Rail freight service is provided to the County by the Southern Railway System through the Concord-Kannapolis urban areas. The extreme southern tip of the County is served by the Norfolk-Southern Railroad. Several motor freight carriers have terminal facilities in the County.

Passenger service by rail is provided by Amtrak out of Kannapolis. Kannapolis and the North Carolina Department of Transportation have completed construction of a new passenger terminal. Recent announcements include expansion of daily passenger service.

Charlotte Douglas International Airport (“CLT”) is ranked among the top 10 busiest airports in the world, averaging 1,600 daily aircraft operations. CLT serves approximately 178 nonstop destinations around the globe and welcomes more than 50 million passengers annually.

Bus service is provided daily by Carolina Trailways. Concord contracts with Charlotte Area Transit (“CATS”) for express bus service. Concord is a non-voting member of the Metropolitan Transit Commission (“MTC”) which provides mass transit service for the Charlotte metro area and they are exploring opportunities to develop a mass transit corridor, along Highway 29 in conjunction with the MTC to serve the long term commuting needs of its citizens. Concord and Kannapolis have entered into a partnership arrangement and provide bus transit service to Concord, Kannapolis and southern Rowan County. Para-transit services are provided by the County.

Other resources for transportation include privately-owned buses and vans transporting workers to major employment centers. CATS van pool vans provide service within the County for workplaces within Mecklenburg County.

HUMAN SERVICES

Public Health Programs. Public health services are provided by the Cabarrus Health Alliance (the “Alliance”), which is a component unit of the County. Its mission is to protect and promote the health of the County citizens. Services provided include personal health and dental health services, public health education and environmental health. Physicians, physician extenders, public health nurses, social workers and nutritionists provide personal health services. Programs for children include immunization, sick and well childcare, and defect and disease screening. The school health program provides a nurse in each school of the two school systems. The WIC program provides nutrition education, counseling and supplemental foods for pregnant, breast-feeding women, and infant children up to the age of five. Adult services are provided for communicable disease control, family planning, maternity care, chronic disease screening, breast and cervical cancer detection, and AIDS counseling and testing. The Alliance operates a stationary dental office and mobile dental unit, which serves adults and children. Environmental health services include continuing surveillance of area food, milk and water supplies, institutions and lodgings, public pools, septic tanks, sewage disposal and sanitary landfills.

The Alliance spent approximately \$49.2 million in public health programs in the fiscal year ended, June 30, 2023. Of that total, \$10.9 million was received from the County. The remaining public health expenditures were funded by State and federal grants, permits and fees, sales and services and contributions.

Social Services Programs. The County Department of Social Services provides public assistance programs and services to qualifying individuals and families. Among the public assistance programs are Work First Family Assistance, Medicaid, State-County Special Assistance (Rest Home Supplement), Food and Nutrition Services, Crisis Intervention Program for heating and cooling needs, and Low-Income Energy Assistance. Among the services provided for children are Child Protective Services, Adoptions, Foster Care and other child welfare services, Child Day Care, Child Support Enforcement and other services to help families and children. Medical Transportation, Adult Protective Service, Adult Day Care and other services for disabled and aged adults are also offered through the Human Services Department. Of the approximately \$65.6 million expended for such programs and related administration costs in the fiscal year ended June 30, 2023, approximately \$13.0 million was provided by the County.

Hospital Programs. As described in “THE COUNTY – Commerce and Industry – Biotechnology and Healthcare Services” herein, the County is served by Atrium Health Cabarrus, a 457-bed acute care public hospital. The County does not directly contribute any funds to support the hospital, although indirectly it is responsible for the payment of certain Medicaid-eligible reimbursements.

Aging Programs. The County Aging Programs provides activities and nutrition meal sites for the senior citizens of the County. The Home and Community Care Block Grant serves citizens ages 60 and older and promotes health and well-being services for qualified recipients. The grant is administered by the N.C. Division of Aging and Adult Services. The grant provides local flexibility in that the advisory committee and the Board can set priorities for services the grant will fund. The Department of Human Services serves as the lead agency for the Home and Community Care Block Grant in Cabarrus County (“Home Care Block”). The lead agency’s primary role is to organize the committee, develop the funding plan for the grant and seek approval from the Board for the funding plan. Home Care Block Services provided by the Department of Human Services are Congregate Nutrition, Adult Day Care, Adult Day Health, In-Home Aide Personal Care Level II, In-Home Aide Personal Care Level III, Medical Transportation, and General Transportation. The Home Care Block Services provided by other agencies are Housing and Home Improvement (Commerce), Senior Center Operations (Active Living and Parks) and Home Delivered Meals (Meals on Wheels). Of the \$1,389,475 expended for such programs and related costs in the fiscal year ended June 30, 2024, \$281,620 was provided by the County.

Mental Health Programs. The County’s focus on mental health issues traces back to the formation of the Mental Health Advisory Board in 2016. The group—made up of elected officials, mental health providers, medical practitioners, law enforcement and court officials and human services and school system representatives—became a vital part of the County’s efforts.

Their work highlighted the growing need for local services and launched a variety of initiatives, including training in mental health first aid for County employees and partner organizations, hiring of mental health specialists for local school systems, establishment of the Stepping Up program at the Cabarrus County Detention Center and more.

Ultimately, the County formed the Behavioral Health Department—a division of the Department of Health and Human Services—which focuses on community partnerships and navigation care for residents. That department will also play a critical role in the operation of the planned Regional Behavioral Health Center. The nearly 53,000-square-foot Regional Behavioral Center will serve the entire region with a full continuum of care that includes a Behavioral Health Urgent Care (BHUC), a Child and Adolescent Psychiatric Residential Treatment Facility (PRTF) and a Facility-Based Crisis (FBC) program.

PUBLIC SERVICE ENTERPRISES

The County recognizes that to continue strong economic growth, water and sewer services must be made available throughout the County. To help achieve this objective, a portion of the retail water and sewer operations of the County were transferred to Concord and Kannapolis on June 30, 1995, resulting in the creation of the Concord Regional Water Resources Department. The County also turned over the operations of Lake Don T. Howell (which includes the former Coddle Creek Reservoir) to the Water and Sewer Authority of Cabarrus County effective July 1, 1996.

The Cabarrus County Sanitary Landfill ceased operations on December 31, 1997 except for demolition and recycling. Collection of solid waste continues under the County’s franchise agreement with Republic/Allied Services. There is a regional landfill located in the County which is owned and operated by BFI Waste Services d/b/a Republic Services of Charlotte with a projected life of at least ten years. In addition, there are two solid waste transfer stations located within a twenty mile radius of the

County. Given these alternatives, there will be multiple options for the disposal of the County's solid waste.

Telephone service is provided to most of the County by Windstream. AT&T serves the residents of parts of the southern area of the County and AllTel Carolina Incorporated provides service in the extreme northeast area of the County.

Public Service Company of North Carolina, Inc., is franchised to provide the entire County with natural gas service. At the present time, its service area covers the major urban area in the County, consisting of the municipalities of Kannapolis, Concord and Harrisburg.

Duke Power Company and Concord are the major providers of electrical service in the County. In addition, Union Electric Company of the Rural Electric Association (located in the City of Monroe) and Energy United (located in the Town of Davidson) serve parts of the County.

Fire protection is provided by the municipalities of Concord, Kannapolis, Harrisburg and Mount Pleasant and multiple fire districts served by rural volunteer fire departments. The County levies a special tax for fire protection services on behalf of each district. In the fiscal year ended June 30, 2024, the County continued its program of providing staff grants to qualified fire districts in the amount of \$30,000 per fire district. Ten of the fire districts participated in the grant program, resulting in a total County expenditure of \$300,000.

ACTIVE LIVING AND PARKS

The Cabarrus County Active Living and Parks Department (the "Active Living and Parks Department") strives to provide quality facilities and offers recreational programs and special events for the residents of the County. The programs available through the Active Living and Parks Department consist of year-round youth athletics in cooperation with volunteer associations, Harrisburg Parks and Recreation, and Concord, Spring-Fall adult softball, Discovery Day Camp, athletic instructional camps and various special events. The Active Living and Parks Department also operate senior centers in Mt. Pleasant and Concord that provide fitness opportunities, special events, trips, Senior Games, dance and art classes. The programming in senior centers emphasize well health in the hopes of helping the citizens remain independent and in their own homes.

The Active Living and Parks Department operates four County-wide parks. Frank Liske Park is centrally located and covers over 235 acres. Facilities include a regional soccer complex, softball/baseball tournament area, disc golf course, running trails and a lake with fishing and boating. Camp T.N. Spencer is a passive park in the northeast part of the County. Camp T.N. Spencer has group camping, cabins, meeting space and fishing opportunities, and is also home to the Boys and Girls Club summer camps and swimming pool. Vietnam Veterans Park is a 90-acre park in the city limits of Kannapolis. Facilities at Vietnam Veterans Park include a lake, playgrounds, shelters, running/walking trail, disc golf and horseshoe area. Rob Wallace Park, in the southern portion of the County, opened in December 2016 and is made up of 186 acres that will be developed in several phases over the next decade. Phase I was completed in January 2017 and includes an office/restroom/concession building, a pier, boardwalk, playground, shelter, walking trails, bike trails and a paved and an overflow parking lot. Phase II included an additional parking lot and infrastructure to the parking lot including utilities and a road. Phase IIB was completed in 2022 and includes a large shelter/restroom facility, a playground, and two small shelters. Additional phases include more shelters, boardwalk around the quarry, picnic sites, more trails, nature classrooms, educational/rental building, camping, cabins, disc golf, restroom/concession buildings, bath house and an amphitheater. An adjoining 40-acre parcel on the west side of the property was purchased in 2019 and a 13-acre tract on the east side of the property was purchased in 2021 with a Park and Recreation Trust Fund Grant.

W.W. Flowe Park, which serves residents of the central part of the County, is operated by the City of Concord Parks and Recreation Department and has a four-field softball/baseball complex, a playground, a trail, a volleyball court, picnic shelters and group sites. W.W. Flowe Park was deeded to Concord Parks and Recreation in 2021 to continue in perpetuity as a park open to the residents of the County.

The County developed a 45-acre tract of land on Pharr Mill Road in the Harrisburg area in 2007. The park, Pharr Mill Road Park, consists of a perimeter trail, a boardwalk that overlooks the Rocky River, a playground, a shelter/restroom building, a playground, and horseshoe pits. The park surrounds an old cemetery owned by Rocky River Presbyterian Church. Harrisburg annexed the park into their town limits and now operates the park.

The County purchased a 615-acre parcel on St. Stephens Church Road in Northeast Cabarrus County in 2021. This parcel is slated to become a passive park with nature trails, walking trails, primitive camping, picnic shelters, and an office/restroom building. Currently there is a section in cultivation and plans are for it to remain that way. There are several upland bogs, native flora and fauna, and hardwood trees on the property. These areas will be highlighted with educational signage as the park is developed.

The Active Living and Parks Department operates two senior centers, one in Concord and one in Mt. Pleasant. The Concord senior center has classrooms, a multi-purpose room, a fitness room, a game room, a conference room, an outdoor fitness area, a $\frac{3}{4}$ mile walking trail, four bocce courts, an open space area, and two shuffleboard courts. The senior center offers programs including a weekly lunch and learn program, dance classes, personal fitness classes, yoga and tai chi classes, and numerous other programs.

The Mt. Pleasant senior center is currently located next to Mt. Pleasant Town Hall. The building consists of a multi-purpose area, a kitchen, and an activities room. The senior center offers programs including dance classes, yoga and tai-chi classes, Bingo, arts and crafts, and is home to the DHS Lunch Plus Meal site. The Active Living and Parks Department has begun construction of a new Library-Senior Center combination building that would allow for more opportunities for the citizens in Mt. Pleasant. The new Library-Senior Center will be located on a 30-acre site that will also be home to a new park with walking trails, multi-purpose fields, and a playground. Construction is expected to be completed by November 2024.

Construction has also begun on a new Library-Senior Center on the west side of the County in the Afton area which serves a large section of the County population. Construction is estimated to be complete by December 2024. A portion of the proceeds of the 2024B LOBs will be used to finance certain real property costs related to this Library-Senior Center. See “THE 2024B PROJECT” herein.

The Active Living and Parks Department is staffed with 17 professionals and additional seasonal and part time personnel. In the fiscal year ended June 30, 2023, the County expended approximately \$2.8 million for the operations of this department.

INFRASTRUCTURE AND ASSET MANAGEMENT DEPARTMENT

The Infrastructure and Asset Management Department is responsible for maintaining property owned by the County, ranging from the County Office Complex, Governmental Center, Kannapolis Library, public athletic facilities and other public areas in the County.

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur additional net debt in an approximate amount of \$2,558,824,416 as of June 30, 2024.

Outstanding General Obligation Debt.

Principal Outstanding as of					
General Obligation Bonds	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>	June 30, <u>2024</u>
Refunding Bonds	<u>\$37,865,000</u>	<u>\$32,240,000</u>	<u>\$25,735,000</u>	<u>\$19,140,000</u>	<u>\$12,520,000</u>
Total Debt Outstanding	<u>\$37,865,000</u>	<u>\$32,240,000</u>	<u>\$27,735,000</u>	<u>\$19,140,000</u>	<u>\$12,520,000</u>

General Obligation Debt Ratios.

As of June 30	Total GO Debt	Assessed Valuation	Total GO Debt To Assessed Valuation	Population ¹	Assessed Value Per Capita	Total GO Debt Per Capita
2019	\$44,290,000	\$23,106,264,141	\$0.19	209,150	\$110,477	\$211.76
2020	37,865,000	24,184,407,104	0.16	213,290	113,387	177.53
2021 ²	32,240,000	28,825,060,205	0.11	227,304	126,813	141.84
2022	25,735,000	30,012,100,190	0.10	231,726	129,515	111.06
2023	19,140,000	31,263,580,000	0.06	235,797	132,587	81.17
2024	12,520,000	32,141,805,204	0.04	235,797	136,311	53.10

¹ Estimates of the North Carolina State Demographics Office of the Office of State Budget and Management. For purposes of the 2024 population estimate, the 2023 population estimate will be used.

² Revaluation.

General Obligation Debt Service Requirements.

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2025	\$ 6,255,000	\$303,485	\$ 6,558,485
2026	3,385,000	87,710	3,472,710
2027	<u>2,880,000</u>	<u>40,320</u>	<u>2,920,320</u>
TOTAL	<u>\$12,520,000</u>	<u>\$431,515</u>	<u>\$12,951,515</u>

General Obligation Bonds Authorized and Unissued.

Purpose	Date Approved	Balance Authorized and Unissued
Refunding	5/18/2020	\$14,300,000 ¹

¹ The County does not plan to issue the remainder of this authorization.

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

<u>Unit</u>	<u>2022 Population¹</u>	<u>2022-23 Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Bonds Authorized and Unissued</u>		<u>Total GO Debt</u>		<u>Total GO Debt Per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Concord	110,886	\$14,015,178,552	\$0.480	-	\$60,000,000	-	\$42,000,000	\$378.77
Harrisburg	20,652	\$3,064,764,138	0.435	-	\$2,350,000	-	1,402,500	67.91
Kannapolis ²	45,618	5,722,094,029	0.630	-	-	-	-	-
Locust	569	688,164,619	0.360	-	-	-	-	-
Mt. Pleasant	1,742	194,188,380	0.050	-	-	-	-	-
Midland	5,198	660,161,297	0.220	-	-	-	-	-

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

² Approximately 86% of Kannapolis residents live in the County. The remaining portion live in Rowan County.

Other Long-term Commitments. The debt service requirements on the County's outstanding installment financing obligations are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total^{1,2}</u>
2025	\$29,080,000	\$14,271,883	\$43,351,883
2026	40,939,000	21,980,965	62,919,965
2027	39,329,000	19,961,999	59,290,999
2028	37,518,000	18,358,753	55,876,753
2029	33,938,000	16,798,945	50,736,945
2030	26,547,000	15,334,471	41,881,471
2031	26,547,000	14,061,141	40,608,141
2032	26,547,000	12,861,398	39,408,398
2033	26,547,000	11,655,133	38,202,133
2034	26,547,000	10,488,686	37,035,686
2035	26,542,000	9,248,325	35,790,325
2036	26,542,000	8,007,991	34,549,991
2037	22,681,000	6,857,572	29,538,572
2038	19,313,000	5,826,771	25,139,771
2039	16,955,000	4,905,375	21,860,375
2040	16,955,000	4,057,625	21,012,625
2041	16,955,000	3,209,875	20,164,875
2042	16,955,000	2,362,125	19,317,125
2043	12,115,000	1,514,375	13,629,375
2044	12,115,000	908,625	13,023,625
2045	<u>12,115,000</u>	<u>302,875</u>	<u>12,417,875</u>
TOTAL	<u>\$512,782,000</u>	<u>\$202,974,908</u>	<u>\$715,756,908</u>

* This table does not include payments expected to be made by the County under the terms of an interlocal agreement between the County and Kannapolis executed in connection with the Kannapolis Bonds. See the caption, "THE COUNTY – Commerce and Industry – *Biotechnology*" for a description of these payments.

¹ Totals may not foot due to rounding.

² This table reflects the Installment Payments (including the Sinking Fund Deposits) but does not include the expected Cash Subsidy Payments to be made on the County's \$14,635,000 Taxable Limited Obligation Qualified School Construction Bonds (County of Cabarrus, North Carolina Installment Financing Contract), Series 2011A, \$7,435,00 of which are currently outstanding. This table reflects the Installment Payments related to the County's \$242,400,000 Limited Obligation Refunded Bonds which were issued on October 29, 2024.

Debt Outlook. The County is continually evaluating its capital needs and is utilizing financial/debt affordability modeling to prioritize the funding source for projects with options of utilizing current cash resources or potential future debt issuances.

TAX INFORMATION

	Fiscal Year Ended or Ending June 30,			
	<u>2022</u>	<u>2023</u>	<u>2024⁴</u>	<u>2025⁵</u>
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property	\$24,553,345,415	\$25,284,715,521	\$26,210,550,000	\$40,695,000,000
Personal Property	4,993,030,074	5,471,809,275	5,424,200,000	5,704,754,000
Public Service	<u>465,724,701</u>	<u>507,055,204</u>	<u>507,055,204</u>	<u>559,499,000</u>
Companies ²				
Total Assessed Valuation	<u>\$30,012,100,190</u>	<u>\$31,263,580,000</u>	<u>\$32,141,805,204</u>	<u>\$46,959,253,000</u>
Per capita assessed value ³	129,515	132,587	136,311	199,150
Rate per \$100	0.74	0.74	0.74	0.576
Levy ⁶	\$ 222,305,257	\$ 231,772,382	\$ 240,130,823	\$ 267,230,000

¹ Percentage of appraisal value has been established by statute.

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

³ Estimates; based on population figure as of July 1 following the end of the fiscal year on June 30.

⁴ Unaudited.

⁵ Estimated. Revaluation becomes effective with the fiscal year 2025 tax levy.

⁶ Includes releases, abatements and other adjustments.

In addition to the County-wide levy, the County levied taxes on behalf of fire districts in the County for the fiscal years ended June 30, 2021 through 2024 as shown in the following table:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024²</u>
County-Wide	\$215,499,321	\$222,305,257	\$231,772,382	\$240,130,823
Fire Districts ¹	<u>5,531,516</u>	<u>5,673,641</u>	<u>6,007,078</u>	<u>7,099,003</u>
Total Levy	<u>\$221,030,837</u>	<u>\$227,978,898</u>	<u>\$237,779,460</u>	<u>\$247,229,826</u>

¹ Excludes motor vehicle taxes.

² Estimated.

Tax Collections.

Fiscal Year Ended June 30	Total Adjusted Tax Levy	Current Year's Levy Collected	Collected in Subsequent Years	Percentage of Adjusted Levy Collected
2019	\$168,213,676	\$167,031,329	\$1,064,430	99.30%
2020	180,445,841	178,156,835	1,969,763	98.73
2021	215,499,321	213,522,265	1,751,347	99.08
2022	222,305,257	220,927,405	1,051,715	99.38
2023	231,772,382	230,226,400	1,198,035	99.33
2024	240,130,823	238,449,907	--	--

Source: Cabarrus County Finance Department.

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

<u>Name</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Corning, Incorporated	Manufacturing	\$ 458,132,154	1.64%
Mall at Concord Mills LP	Retail Center	228,600,161	0.82
Duke Energy Corp	Public Service Co	202,508,879	0.73
Charlotte Motor Speedway Inc	Sports - Racing	200,059,981	0.72
Castle & Cooke NC LLC / David H Murdock	Real Estate	181,022,103	0.65
Celgard LLC	Manufacturing	163,111,602	0.58
Hendricks Motorsports Inc	Sports - Racing	158,502,661	0.57
Weinstein Properties	Real Estate - Residential	134,484,530	0.48
Exeter	Real Estate - Commercial	128,420,770	0.46
The Silverman Group	Real Estate - Commercial	<u>127,012,070</u>	<u>0.45</u>
		<u>\$1,981,854,911</u>	<u>7.10%</u>

Source: Cabarrus County Tax Administration Department.

BUDGET COMMENTARY AND OUTLOOK

The County's annually adopted budgets are comprised of the General Fund, Community Investment Fund, Cabarrus Arena and Events Center Fund, Fire Districts Fund, Landfill Operations Fund, E911 Emergency Telephone Fund, Health and Dental Insurance Fund, and the Workers Compensation and Liability Fund. Beginning with the fiscal year ending June 30, 2022, the Social Services Fund and the Intergovernmental Fund are also included as part of the annually adopted budgets.

Fiscal Year 2024. The Board adopted the budget for the fiscal year ended June 30, 2024, in June 2023, maintaining the property tax rate at \$0.74 per \$100 valuation. The adopted budget for the fiscal year ended June 30, 2024 for the General Fund and the Community Investment Fund had total revenues and expenditures of \$413,822,9582, which represented a 6.01% increase in spending from the adopted budget for the fiscal year ended June 30, 2023. The budget included 12 new positions addressing the growing demand for programs and services due to growth and new facilities, the majority in Public Safety, Library Services and General Government Departments.

Current projections have the County adding to its fund balance once the audit for the fiscal year ended June 30, 2024 is finalized. It is expected that property and sales tax will perform better than budget. Property tax collection rate continues to be over 99% and new property levies for the year are exceeding \$6 million. Sales tax is estimated to be 1% to 2% above the prior year. The County's expenditures are trending at 9% lower than budget, mainly driven by the County's conservative spending practices.

Fiscal Year 2025. As staff prepared the County's recommended budget for the fiscal year ending June 30, 2025, various revenue sources and factors were evaluated, as well as each department's request to provide services and programs. The budget includes 22 new positions, the majority coming from the County's Emergency Medical Services Department to place a 14th ambulance into service. Other departments that requested new positions range from the Sheriff's Office, Department of Social Services, to the Infrastructure and Asset Management Department in addition to other County Departments.

Fiscal Year 2025 is a revaluation year for the County. Property values are estimated to increase by over 40%. As the County continues to grow, the adopted budget included a decrease in the tax rate from \$0.74 per \$100 valuation to \$0.576 per \$100 valuation and still provide the necessary funds with the increase in County and school capital projects and school deferred maintenance needs. The budget for the General Fund is \$380 million – a 12% increase from fiscal year 2024. The Board and staff are committed to a conservative strategic approach in evaluating both revenue and expenditures for fiscal solutions and sustainable practices, which includes a five-year plan for sustainability.

PENSION PLANS

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

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

The System provides, on a uniform system-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their compensation. The County's contractually required contribution rate for the fiscal year ended June 30, 2023, was 12.14% of eligible payroll for general employees and firefighters and 13.04% of eligible payroll for law enforcement officers. Contributions to the System from the County were \$8,561,899 in the fiscal year ended June 30, 2023.

The County's contractually required contribution rate for the fiscal year ended June 30, 2024, is 12.89% of eligible payroll for general employees and firefighters and 14.04% of eligible payroll for law enforcement officers. The County's contractually required contribution rate for the current fiscal year ending June 30, 2025 is budgeted at 13.64% of eligible payroll for general employees and firefighters and 15.04% of eligible payroll for law enforcement officers.

The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the System.

The County's share of the cost is based on calculations prepared by an actuary.

Employees become a member on their hire date and work at least 1,000 hours in a calendar year. Members become vested once they have completed a minimum of five years of creditable service. Members may "Service Retire" with unreduced benefits at age 65 with at least five years of creditable service, age 60 with 25 years of creditable service, or after 30 years of creditable service regardless of age. Members may "Early Retire" with reduced benefits, at age 50 with 20 years of creditable service, or age 60 (age 55 if a firefighter or rescue squad worker) with five years of creditable service.

Benefit payments are based on average final compensation and creditable service. Average final compensation is the average of a member's salary during the four highest-paid years (48 consecutive months) in a row. Creditable service is the total of all service credit that counts toward retirement. The benefit is calculated by taking the average final compensation adjusted by a percentage and multiplied by creditable service. Members that do not meet the requirements for full-service retirement, will receive a reduced monthly benefit and adjusted based on age and service in years and months.

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.

OTHER POST-EMPLOYMENT BENEFITS

General. The County administers a single-employer defined benefit Healthcare Benefits Plan. This plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the System and at the time of their retirement meet certain service requirements as shown in the chart below. In addition, retirees must work the last five years for the County.

Hire Rehire Date	Eligible for 100% coverage	Eligible for 50% coverage	Not Eligible
Prior to 07/01/1997	If employees signed vacation (schedule A) acceptance agreement	N/A	If employee signed vacation (schedule B) declination agreement for reduced vacation
07/01/1997-10/31/2003	10 years of creditable service	N/A	N/A
11/01/2003-10/31/2016	25 years of creditable service	10 years of creditable service	N/A
On or after 11/01/2016	25 years of creditable service	15 years of creditable service	N/A

Retirees receive the same benefits as active employees and the County’s eligible retirees can purchase coverage for their dependents at the County’s group rate. Coverage for all retirees will cease when the retiree becomes eligible for Medicare, or reaches the age where they would have had such benefits had they qualified for Social Security. The Board 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 and have at least one year of contributing membership service in the System at the time of death.

The County’s total OPEB liability as of June 30, 2023 was \$39,967,487, and measured as of June 30, 2022. The net change in liability decreased \$1,110,177. For the year ended June 30, 2023, the County recognized an expense of \$1,233,787 and reported \$5,619,647 and \$16,266,406 in deferred outflows of resources and deferred inflows of resources, respectively. The County has also deposited \$2,000,000 into the State Trust fund to offset OPEB costs.

CONTINGENT LIABILITIES

The County has no contingent liabilities which, in the opinion of the County Attorney, would adversely and materially affect the County’s ability to meet its financial obligations. See the caption, “LEGAL MATTERS – Litigation” herein.

LEGAL MATTERS

LITIGATION

No litigation is now pending or, to the best of the County's knowledge, threatened against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2024B LOBs or the Contract, or which contests the County's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County's authorization, execution and delivery of the Contract, or the County's authority to carry out its obligations thereunder. In addition, no litigation is now pending or, to the best of the Corporation's knowledge, threatened, against or affecting the Corporation which seeks to restrain or enjoin the authorization, execution or delivery of the 2024B LOBs, the Indenture or the Contract or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2024B LOBs or the Corporation's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the Corporation's authorization, execution and delivery of the 2024B LOBs, the Indenture or the Contract, or the Corporation's authority to carry out its obligations thereunder.

There is no litigation pending or, to the best of the County's knowledge, threatened, against or affecting the County which could have a material adverse impact on the County's condition, financial or otherwise.

OPINIONS OF COUNSEL

Legal matters related to the execution, sale and delivery of the 2024B LOBs are subject to the approval of Maynard Nexsen PC, Charlotte, North Carolina, Bond Counsel and counsel to the Corporation. Certain legal matters will be passed upon for the County by its counsel, Richard M. Koch, Esq., Charlotte, North Carolina and for the Underwriters by their counsel, Womble Bond Dickinson (US) LLP, Raleigh, North Carolina. The opinion of Maynard Nexsen PC, substantially in the form set forth in Appendix C hereto, will be delivered at the time of the delivery of the 2024B LOBs.

TAX TREATMENT

General. The following discussion is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the 2024B LOBs. It is based in part on the opinion of Maynard Nexsen PC ("*Bond Counsel*") with respect to the 2024B LOBs and on the Internal Revenue Code of 1986, as amended (the "*Code*"), the regulations promulgated thereunder, published revenue rulings and case precedent currently in effect, all of which are subject to change or possible differing interpretations. This summary of federal income tax consequences is subject to modification by the issuance of regulations or rulings or by subsequent administrative or judicial interpretation, which could apply retroactively.

This summary does not purport to address all aspects of federal (or state or local) income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors who are subject to special provisions of the Code, such as life insurance companies, tax-exempt organizations, foreign taxpayers and taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code. This summary is further limited to investors who will hold the 2024B LOBs as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. **POTENTIAL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2024B LOBs IN THEIR**

PARTICULAR CIRCUMSTANCES BEFORE DETERMINING WHETHER TO PURCHASE 2024B LOBs.

2024B LOBs. The opinion of Bond Counsel to be delivered in connection with the 2024B LOBs will state that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is excludable from the gross income of the owners thereof for federal income tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2024B LOBs in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs be, and continue to be, not includable in gross income for federal income tax purposes. Further, such opinion will state that, under existing law, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is exempt from all present State of North Carolina income taxes. In addition, the opinion of Bond Counsel will state that under existing law, the 2024B LOBs are not “specified private activity bonds” within the meaning of the alternative minimum tax provisions of the Code and that, accordingly, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, except that the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is taken into account in determining the “adjusted financial statement income” of certain corporations for purposes of computing the alternative minimum tax on corporations for tax years beginning after December 31, 2022.

In the Contract and related documents, the County has agreed to comply with all such requirements of the Code, except to the extent that the County obtains an opinion of Bond Counsel or other counsel recognized for its expertise in tax-exempt municipal financings to the effect that noncompliance would not adversely affect the exclusion from gross income for federal income tax purposes of the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs to be includable in gross income (and thus taxable) for federal income tax purposes retroactively to the date of execution and delivery of the 2024B LOBs.

The ownership of tax-exempt obligations or participations therein, such as the 2024B LOBs, and the accrual or receipt of interest with respect thereto may also result in other federal (and, in some cases, state and 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 net passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of 2024B LOBs should consult their tax advisors as to the applicability and the impact of any such other tax consequences and the status of interest with respect to the 2024B LOBs under the laws of any state other than North Carolina.

From time to time proposed legislation is considered by the United States Congress that, if enacted, would affect the tax consequences of owning obligations or participations therein, such as the 2024B LOBs. Thus, prospective purchasers of the 2024B LOBs should be aware that future legislation may have an adverse effect on the tax consequences of owning the 2024B LOBs.

Original Issue Premium. All of the 2024B LOBs have been sold at initial public offering prices that are in excess of the amount payable at maturity. The difference between the amount payable at maturity of the 2024B LOBs maturing on August 1, 2025 through 2044, inclusive (collectively, the “Premium 2024B LOBs”) and the tax basis of such Premium 2024B LOBs to a purchaser (other than a purchaser who holds such Premium 2024B LOBs as inventory, stock in trade or for sale to customers in

the ordinary course of business) who purchases the Premium 2024B LOBs at the initial offering price, is “Bond Premium.” Bond Premium is amortized over the term of such Premium 2024B LOBs for federal income tax purposes. Owners of such Premium 2024B LOBs are required to decrease their adjusted basis in such Premium 2024B LOBs by the amount of amortizable Bond Premium attributable to each taxable year such Premium 2024B LOBs are held. Owners of Premium 2024B LOBs should consult their tax advisors with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon the sale or other disposition of such Premium 2024B LOBs and with respect to the State of North Carolina and local tax consequences of owning and disposing of Premium 2024B LOBs.

CONTINUING DISCLOSURE OBLIGATION

In accordance with the requirements of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission (“SEC”) under the United States Securities Exchange Act of 1934 (“Rule 15c2-12”), the County has undertaken in the Contract, for the benefit of the beneficial owners of the 2024B LOBs, to provide to the Municipal Securities Rulemaking Board (“MSRB”):

(1) by not later than seven months after the end of each fiscal year, beginning with the fiscal year ended June 30, 2024, the audited financial statements of the County for the preceding fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not then available, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each fiscal year, beginning with the fiscal year ended June 30, 2024, (a) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the captions “THE COUNTY—DEBT INFORMATION,” “—TAX INFORMATION” and “—FINANCIAL INFORMATION” herein (excluding any information on underlying units) and (b) the combined budget of the County for the current fiscal year, to the extent such items are not included in the financial statements referred to above;

(3) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the 2024B LOBs:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of 2024B LOBs, or other material events affecting the tax status of the 2024B LOBs;
- (g) Modifications to rights of the beneficial owners of the 2024B LOBs, if material;
- (h) Call of any of the 2024B LOBs, if material, and tender offers;
- (i) Defeasance of any of the 2024B LOBs;
- (j) Release, substitution, or sale of property securing repayment of the 2024B LOBs, if material;

- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the County;
- (m) 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;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) 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 beneficial owners of the 2024B LOBs, if material; and
- (p) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties;

(4) in a timely manner, notice of the failure by the County to provide the required annual financial information described in (1) and (2) above on or before the date specified.

“Financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of an obligation described in either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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

The County may discharge its undertaking described above by transmitting the documents referred to above to any entity and by any method authorized by the SEC.

At present, Section 159-34 of the General Statutes of North Carolina, as amended, 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.

If the County fails to comply with the undertaking described above, any beneficial owner of the 2024B LOBs may take action to protect and enforce the rights of the beneficial owners with respect to such undertaking, including an action for specific performance. A FAILURE BY THE COUNTY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKING, HOWEVER, WILL NOT BE AN EVENT OF DEFAULT UNDER THE CONTRACT AND WILL NOT RESULT IN ACCELERATION OF THE INSTALLMENT PAYMENTS.

The County may modify from time to time, consistent with Rule 15c2-12, the information to be provided, to the extent necessary or appropriate in the judgment of the County, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the County; (2) the information to be provided, as modified, would have complied with the requirements of 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 (3) any such modification does not materially impair the interest of the beneficial owners, as determined by parties unaffiliated with the County (such as the Trustee or nationally recognized counsel) or by the approving vote of the Owners of a majority in

principal amount of the 2024B LOBs then Outstanding pursuant to the terms of the Indenture, as it may be amended from time to time, at the time of the amendment. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The County's Rule 15c2-12 undertaking under the Contract will terminate on payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal and interest with respect to the 2024B LOBs.

The County has issued municipal securities subject to the continuing disclosure requirements of Rule 15c2-12 under three separate base CUSIP numbers. On January 29, 2020, the County timely posted the required audited financial statements and annual financial information and operating data for the fiscal year ended June 30, 2019 on the MSRB's EMMA website with links to two of its base CUSIP numbers but not the third. The County linked such information to the third base CUSIP number on May 2, 2022 and posted a notice of Failure to Timely Provide Required Financial Information on EMMA on May 3, 2022. Except as disclosed above, during the past five years, the County has filed its annual reports and audited financial statements in a timely manner and complete fashion, and has not knowingly failed to provide any information required to be provided by any undertaking previously made by the County pursuant to Rule 15c2-12.

The County is currently in compliance with its continuing disclosure obligations.

UNDERWRITING

The Underwriters have agreed to purchase the 2024B LOBs at a price equal to the principal amount thereof less an Underwriters' discount of \$534,207.94, plus an original issue premium of \$14,723,429.95. The Underwriters are committed to take and pay for all of the 2024B LOBs if any are taken, subject to the terms and conditions set forth in the Contract of Purchase for the 2024B LOBs between the Corporation and BofA Securities, Inc., on its own behalf and as representative of Piper Sandler & Co. The Underwriters may offer and sell the 2024B LOBs to certain dealers (including dealers depositing the 2024B LOBs into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the Corporation or the County and their respective affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the County or the Corporation (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the County or the Corporation. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc., one of the Underwriters of the 2024B LOBs, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2024B LOBs.

Piper Sandler & Co., one of the Underwriters of the 2024B LOBs, has entered into a distribution agreement (“Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co”) for the retail distribution of certain securities offerings including the 2024B LOBs, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase 2024B LOBs from Piper Sandler at the original issue price less a negotiated portion of the selling concession applicable to any 2024B LOBs that CS&Co. sells.

RATINGS

The 2024B LOBs have been assigned ratings of “AA+” by Fitch Ratings (“Fitch”), “Aa1” by Moody’s Investors Service (“Moody’s”) and “AA+” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). Such ratings reflect only the views of Fitch, Moody’s and S&P at the time the ratings were given, and none of the Corporation, the County or the Underwriters makes any representations as to the appropriateness of such ratings.

The ratings are not recommendations to buy, sell or hold the 2024B LOBs and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Fitch, Moody’s or S&P. Any downward revision or withdrawal of the above ratings may have an adverse effect on the market price of the 2024B LOBs. None of the Corporation, the County or the Underwriters has undertaken any responsibility after the execution and delivery of the 2024B LOBs to assure maintenance of the ratings or to oppose any such revision or withdrawal.

An explanation of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 (212-908-0500), from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 (212-553-1653) or from S&P at 55 Water Street, New York, New York 10041 (212-438-2400).

MISCELLANEOUS

All quotations from and summaries and explanations of the Contract, the Deed of Trust and the Indenture contained herein or in Appendix B hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement. Copies in reasonable quantity of the Contract, the Deed of Trust and the Indenture may be obtained during the offering period from the Underwriters at BofA Securities, Inc., 620 South Tryon Street, 25th Floor, Charlotte, Carolina 28255.

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

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APPENDIX A

FINANCIAL STATEMENTS OF
THE COUNTY OF CABARRUS, NORTH CAROLINA

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Management Discussion and Analysis

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

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Cabarrus County Management's Discussion and Analysis

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

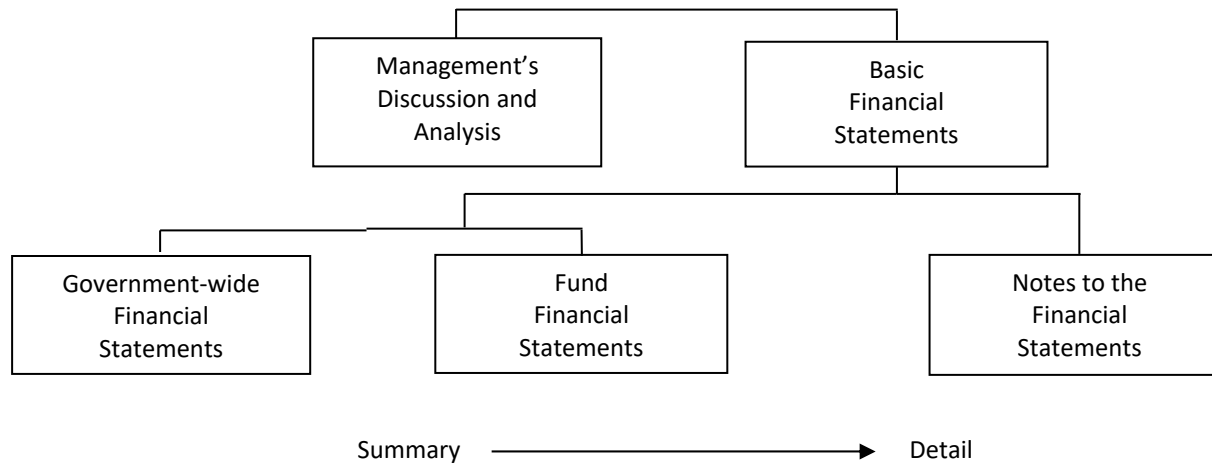
Financial Highlights

- On the government-wide Statement of Net Position, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2023 by \$122.5 million (*net position*). The County's net position is impacted considerably by the debt the County has issued on behalf of the School Systems and Community College to fund school capital outlay. Under North Carolina law, the County is responsible for providing capital funding for schools. The County has chosen to meet its legal obligation by issuing general obligation and installment purchase debt. The County funds the capital assets; however, the Schools Systems and Community College utilize them. Since the County, as the issuing government acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of school-related debt was \$263.0 million.
- The County's total net position increased by \$68.97 million, due to an increase in governmental activities of \$68.91 million and an increase in business-type activities of \$.06 million (Exhibit 2).
- As of the close of the 2023 fiscal year, the County's governmental funds reported combined ending fund balances of \$240.7 million after a net increase in fund balance of \$28.2 million. Approximately 60.4% of this total amount or \$145.3 million is restricted or non-spendable.
- At the end of the 2023 fiscal year, unassigned fund balance for the General Fund was \$89.5 million, or 24.9%, of total General Fund expenditures and transfers out for the fiscal year.
- Cabarrus County's total debt increased by \$14.8 million, or 3.6%, during the current fiscal year. Due to normal debt service payments, COPS and LOBS debt decreased by \$39.6 million, General Obligation Bond debt decreased by \$7.3 million, and installment financing decreased by \$.2 million. A draw direct borrowing finance agreement was established in fiscal year 2022, the current liability is \$75.2 million, an increase of \$62.0 million.
- For the first time in history, Cabarrus County earned the distinction of AAA ratings by Fitch Ratings and Moody's Investors Service. The County maintained AA+ rating with S&P Global ratings. The ratings reflect sound operating performance, revenue growth, strong economic development, and maintenance of healthy reserves.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Cabarrus County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (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 is designed to enhance the reader's understanding of the financial condition of Cabarrus 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 11) 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, non-major governmental funds, and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the 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 plans and other post-employment benefits.

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 County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the County's basic services such as public safety, parks and recreation, 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. The only business-type activity fund is the landfill operations. The only component unit the County has is the Cabarrus Health Alliance. Cabarrus Health Alliance was incorporated under the Hospital Authority Act to provide public health care to the citizens and residents of the County. The Chairperson of the Board of Commissioners for Cabarrus County appoints the members of the Board of the Health Alliance.

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. Cabarrus 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 NC General Statutes or the County's Budget Ordinance. All of the funds of Cabarrus 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, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a current financial resource 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.

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

Proprietary Funds – Cabarrus County has two kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Cabarrus County uses an enterprise fund to account for landfill operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are used to account for operations that provide services to other departments on a cost-reimbursement basis. Cabarrus County uses an internal service fund to account for self-insured hospitalization/dental and workers' compensation/property liability activities.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Cabarrus County has three fiduciary funds. Two are custodial funds and one Pension Trust Fund.

Notes to the Financial Statements – 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 non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statement.

Following the notes is the required supplemental information. This section contains funding information about the County's pension plans and other post-employment benefits.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The County's assets and deferred outflows of resources exceeded its liabilities, and deferred inflows of resources by \$122.5 million as of June 30, 2023. The County's net position increased by \$68.9 million in the same period. Net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

One of the largest portions of net position reflects its Net Investment in Capital Assets (e.g., land, buildings, vehicles, equipment, and other machinery used in providing services to residents). These assets are not available for future spending. Although the County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The amount reported as net investment in capital assets increased from \$158.7 million in the prior year to \$185.9 million on June 30, 2023. The increase is mainly attributable to an increase in new assets associated with phase I of the courthouse completion.

The second reported category of net position is restricted net position. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Restricted net position totaled \$145.8 million at June 30, 2023, a \$35.3 million increase from prior year. This increase is primarily due to an increase in the stabilization by state statute which represents the County's receivables and outstanding encumbrances. The County's Capital Project fund included \$75.5 million in encumbrances for the courthouse and other County projects that the County will use the draw direct borrowing finance agreement to pay. The County does not draw the funds until the invoices are paid.

The third category of the County's net position is reported as unrestricted. The balance is to be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2023, the County reported an unrestricted net position deficit of \$209.2 million. This amount is impacted by the portion of the County's outstanding debt incurred for the Cabarrus County and Kannapolis City School Systems and Rowan-Cabarrus Community College. Even though the debt was issued to finance school capital outlay, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it does not finance assets that are owned by the County. At June 30, 2023, \$263.0 million of the outstanding debt on the County's financial statements was related to assets included on the Schools Systems' and community college's financial statements. If this debt was not reported as a reduction of net position, the balance of unrestricted net position would be a surplus of \$53.8 million.

Net position does not present the County's position regarding spending, this amount is presented in the governmental fund's statements.

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 358,891,579	\$ 306,562,046	\$ 7,932,707	\$ 7,328,426	\$ 366,824,286	\$ 313,890,472
Capital assets	347,250,141	303,560,586	2,252,676	2,284,446	349,502,817	305,845,032
Total assets	<u>706,141,720</u>	<u>610,122,632</u>	<u>10,185,383</u>	<u>9,612,872</u>	<u>716,327,103</u>	<u>619,735,504</u>
Deferred outflows of resources	<u>49,928,492</u>	<u>39,852,050</u>	<u>143,986</u>	<u>97,405</u>	<u>50,072,478</u>	<u>39,949,455</u>
Long-term liabilities outstanding	531,937,064	485,245,303	4,438,306	3,778,766	536,375,370	489,024,069
Other liabilities	<u>87,676,872</u>	<u>81,574,534</u>	<u>155,874</u>	<u>190,222</u>	<u>87,832,746</u>	<u>81,764,756</u>
Total liabilities	<u>619,613,936</u>	<u>566,819,837</u>	<u>4,594,180</u>	<u>3,968,988</u>	<u>624,208,116</u>	<u>570,788,825</u>
Deferred inflows of resources	<u>19,628,768</u>	<u>35,239,848</u>	<u>62,600</u>	<u>128,731</u>	<u>19,691,368</u>	<u>35,368,579</u>
Net Position						
Net investment in capital assets	183,698,605	156,428,800	2,252,676	2,284,446	185,951,281	158,713,246
Restricted	145,776,324	110,468,295	-	-	145,776,324	110,468,295
Unrestricted	<u>(212,647,422)</u>	<u>(218,982,098)</u>	<u>3,419,913</u>	<u>3,328,112</u>	<u>(209,227,509)</u>	<u>(215,653,986)</u>
Total net position	<u>\$ 116,827,507</u>	<u>\$ 47,914,997</u>	<u>\$ 5,672,589</u>	<u>\$ 5,612,558</u>	<u>\$ 122,500,096</u>	<u>\$ 53,527,555</u>

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage above 99.0 percent
- Continued low cost of debt due to the County's high bond rating and the prevailing interest rate environment.
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget.
- Conservative spending practices which resulted in lower expenditures.
- The main area of under budget expenses were in the area of County salary and fringe which were \$8.0 million under budget, due to unfilled positions and turnover.

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 27,578,799	\$ 28,573,284	\$ 1,025,067	\$ 908,296	\$ 28,603,866	\$ 29,481,580
Operating grants and contributions	64,667,845	55,114,802	-	-	64,667,845	55,114,802
Capital grants and contributions	2,895,148	5,514,430	-	-	2,895,148	5,514,430
General revenues:						
Property taxes	238,498,719	229,030,987	-	-	238,498,719	229,030,987
Local option sales tax	78,357,960	72,616,470	-	-	78,357,960	72,616,470
ABC revenues	242,721	227,863	-	-	242,721	227,863
Other taxes and licenses	1,410,618	1,194,229	607,752	493,499	2,018,370	1,687,728
Investment earnings	9,817,567	(1,762,381)	169,253	8,374	9,986,820	(1,754,007)
Miscellaneous	3,520,931	1,399,291	6,230	116	3,527,161	1,399,407
Total revenues	<u>426,990,308</u>	<u>391,908,975</u>	<u>1,808,302</u>	<u>1,410,285</u>	<u>428,798,610</u>	<u>393,319,260</u>
Expenses:						
General government	38,650,194	42,088,592	-	-	38,650,194	42,088,592
Public safety	82,186,124	75,020,454	-	-	82,186,124	75,020,454
Economic and physical development	4,977,516	4,797,206	-	-	4,977,516	4,797,206
Environmental protection	121,645	122,163	-	-	121,645	122,163
Human services	64,264,463	55,574,511	-	-	64,264,463	55,574,511
Education	140,498,917	121,259,242	-	-	140,498,917	121,259,242
Cultural and recreation	10,308,138	9,956,155	-	-	10,308,138	9,956,155
Interest on long-term debt	16,448,929	12,271,921	-	-	16,448,929	12,271,921
Landfill	-	-	2,370,143	1,755,828	2,370,143	1,755,828
Total expenses	<u>357,455,926</u>	<u>321,090,244</u>	<u>2,370,143</u>	<u>1,755,828</u>	<u>359,826,069</u>	<u>322,846,072</u>
Increase (decrease) in net position before transfers	69,534,382	70,818,731	(561,841)	(345,543)	68,972,541	70,473,188
Transfers	<u>(621,872)</u>	<u>(553,055)</u>	<u>621,872</u>	<u>553,055</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>68,912,510</u>	<u>70,265,676</u>	<u>60,031</u>	<u>207,512</u>	<u>68,972,541</u>	<u>70,473,188</u>
Net position, beginning	<u>47,914,997</u>	<u>(22,350,679)</u>	<u>5,612,558</u>	<u>5,405,046</u>	<u>53,527,555</u>	<u>(16,945,633)</u>
Net position ending	<u>\$ 116,827,507</u>	<u>\$ 47,914,997</u>	<u>\$ 5,672,589</u>	<u>\$ 5,612,558</u>	<u>\$ 122,500,096</u>	<u>\$ 53,527,555</u>

Governmental Activities

For the fiscal year ended June 30, 2023, governmental activities increased the County's net position by \$68.91 million, and business-type activities increased net position by \$.06 million. As indicated on the previous page, the majority of the County's expenses were related to education (\$140.5 million, 39.3 percent), public safety (\$82.2 million, 23.0 percent) and human services (\$64.3 million, 18 percent).

Business-type Activities

The County's business-type activity, the Landfill, experienced a \$60,031, 1.1 percent increase in net position. Tipping fees increased in fiscal year 2023 by \$129,403, nonoperating revenues increased by \$281,146 and transfers in increased by \$68,817. Operating expenses increased by \$614,315 related to an increase in the Landfill's post closure liability account. Exhibit 7 provides a more detailed breakdown of revenue and expenses.

Financial Analysis of the County's Funds

As noted earlier, Cabarrus County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County's major funds, as defined by GAAP for the fiscal year ended June 30, 2023, were the *General Fund*, the *County Capital Project Fund*, the *Cares Act Relief Fund*, and the *OPIOID Settlement Fund*.

Governmental Funds. The focus of Cabarrus County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Cabarrus 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 Cabarrus County. The County's total fund balance was \$199.0 million of which \$165.6 million was available for commitments, assignments, and appropriations. The governing body of Cabarrus County has determined that the County should maintain an available fund balance of 15% of General Fund expenditures in case of unforeseen needs or opportunities and to meet the cash flow needs of the County.

The County currently has an available fund balance of 46.0% of General Fund expenditures, while total fund balance represents 55.3% of that same amount. Of the \$165.6 million available fund balance, the County has non-spendable and restricted of \$47.8 million (24.0%), committed \$55.6 million (27.9%) and assigned \$6.2 million (3.1%) for specific projects and obligations. Following the fund balance policy, \$53.1 million (26.7%) of the available fund balance has been set aside for working capital. This leaves \$36.4 million (18.3%) of fund balance remaining for appropriation, commitment, or assignment.

General Fund balance at June 30, 2023 increased \$21.3 million from the prior year. This net increase was primarily due to three factors:

- Sales taxes revenue exceeded last year by \$7.7 million (10.4 percent). The increase is related to the increase in quantity of purchases within the County and the rate and an increase in overall prices of products being purchased.
- Investment earnings increase of \$11.6 million. This increase is driven by an increase in interest rates (from less than 1% to over 5%) and an increase in funds invested by the County throughout the year.
- Operational efficiencies resulted in 11.2 percent of unspent budgeted expenditures (excluding transfers) for the year. Mainly from payroll expenses due to lapse salaries.

Major and Non-Major Funds. The *County Capital Projects Fund* (Major Fund) was created in FY2020 for the account tracking of County capital improvement projects. A Limited Obligation Bond draw program was established in February 2020 to finance a portion of the projects. The current draw program, LOBS 2022B had actual draws in fiscal year 2023 of \$38.7 million. Some of the major projects under construction are the Courthouse, Frank Liske Park Barn, EMS Headquarters, and Library/Senior Center. *General Fund*, the *Community Investment Fund*, and State Capital Infrastructure (SCIF) Grants funds are also being used to fund the projects. During fiscal year 2023 \$36.3 million was spent towards the construction of these projects.

The *Cares Act Relief Fund* (Major Fund) was created in FY 2020 to record the funding received from the federal government to cover COVID-19 expenditures for the public health emergency. \$13.0 million was recognized as revenue and expended during the fiscal year ending June 30, 2023.

The *School Capital Projects Fund* (Non-Major Fund) was created in FY2020 for the account tracking of School capital improvement projects. A Limited Obligation Bond draw program was established in February 2020 to finance a portion of the projects. Actual draws for fiscal year 2023 was \$23.3 million. Some of the major projects under construction are a new Middle School, new Elementary School, and land for a future High School. *General Fund* and the *Community Investment Fund (Major Fund)* funding are also being used to fund the projects. During fiscal year 2023 \$21.2 million was spent towards the construction of these projects.

General Fund Budgetary Highlights: During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust budgetary estimates; 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 budget amounted to an increase of \$41.1 Million. The majority of this increase is related to transfers out to fund various County and School Capital Projects.

At year-end, *actual* General Fund revenues and transfers in exceeded the *final amended budget* numbers by 18.9 million (5.7%). Actual General Fund expenditures and transfers out were less than *final budgetary* figures by \$32.6 million (9.1%).

Proprietary Funds. Cabarrus County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The Landfill Fund is the County's sole Enterprise fund. The Net position of the Landfill Fund increased by \$60,031 during the fiscal year ended June 30, 2023.

Capital Asset and Debt Administration

Capital assets. Cabarrus County's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$349.5 million (net of accumulated depreciation). These assets include buildings, building improvements, land, land improvements, reservoir, equipment, furniture and fixtures, vehicles, and construction in progress.

Major capital asset transactions during the year include:

- Purchased a total of 67 vehicles. One for Communications, four for Building Maintenance, eight for Infrastructure and Asset Management, eleven for Department of Human Services, three for Animal Control, twenty-four for Sheriff's Department, seven for Transportation, one for the Library, one for the Arena, one for Landfill and six ambulances for Emergency Medical Services
- Two land purchases – Two lots on Solutions Street and 75.997 acres along Highway 24/27.
- Phase I of the new Court House was completed in Fiscal Year 2023. \$102.6 million was added to Capital Assets - Buildings.
- Various Construction projects in progress at the end of the year were the new Court House Phase II, Public Safety Training Center, Mount Pleasant Library project, new EMS Headquarters, new animal shelter, Frank Liske Park softball facilities, stormwater project, and Park Barn improvements, West Cabarrus Library / Active Living Center, Warehouse / IT Location, and Milestone Building renovations.

Cabarrus County's Capital Assets
(net of accumulated depreciation)

Figure 4

	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Land	\$ 27,884,216	\$ 26,334,716	\$ 490,447	\$ 490,447	\$ 28,374,663	\$ 26,825,163
Land improvements	4,523,380	5,068,190	884,748	916,491	5,408,128	5,984,681
Buildings	222,438,692	123,865,504	722,851	754,265	223,161,543	124,619,769
Building improvements	15,844,438	16,132,317	-	-	15,844,438	16,132,317
Equipment	2,944,499	2,408,583	42,204	46,101	2,986,703	2,454,684
Furniture and fixtures	399,071	72,897	-	-	399,071	72,897
Vehicles	7,160,431	6,280,132	112,426	77,143	7,272,857	6,357,275
Reservoir	21,156,061	21,177,827	-	-	21,156,061	21,177,827
Construction in progress	40,439,886	97,464,350	-	-	40,439,886	97,464,350
Right to use assets	4,459,467	4,756,070	-	-	4,459,467	4,756,070
Total	<u>\$ 347,250,141</u>	<u>\$ 303,560,586</u>	<u>\$ 2,252,676</u>	<u>\$ 2,284,447</u>	<u>\$ 349,502,817</u>	<u>\$ 305,845,033</u>

Additional information on the County's capital assets can be found in Note 2 section A (6) of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, Cabarrus County had total debt outstanding of \$536,375,370 which includes General Obligation Bonds that are backed by the full faith and credit of the County and other debt that is covered by pledged collateral and is subject to appropriation. Additional information on the County's long-term debt can be found in Note 2 section B (7) (a, b, c, d(1)(2), e, f, g) of the Basic Financial Statements.

Cabarrus County's Outstanding Debt
All Debt Funding Sources
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 22,122,541	\$ 29,479,041	\$ -	\$ -	\$ 22,122,541	\$ 29,479,041
Certificates of participation/ Limited obligation bonds	399,840,531	377,498,997	-	-	399,840,531	377,498,997
Capital lease obligations	3,757,265	4,911,157	-	-	3,757,265	4,911,157
IT subscriptions	817,627	-	-	-	817,627	-
Installment financing	2,225,806	2,438,718	-	-	2,225,806	2,438,718
Accrued landfill closure and postclosure care costs	-	-	4,101,973	3,565,878	4,101,973	3,565,878
Compensated absences	6,338,831	5,783,336	13,665	15,787	6,352,496	5,799,123
Net pension liability (LGERs)	48,833,784	12,744,949	186,276	48,616	49,020,060	12,793,565
Net pension liability (LEOSSA)	12,244,359	13,462,604	-	-	12,244,359	13,462,604
Total OPEB Liability	35,756,320	38,926,501	136,392	148,485	35,892,712	39,074,986
Total	\$ 531,937,064	\$ 485,245,303	\$ 4,438,306	\$ 3,778,766	\$ 536,375,370	\$ 489,024,069

Cabarrus County's total long-term obligations increased by \$47,351,301 (9.7%) during the past fiscal year. During FY2023, general obligation bonds decreased \$7,356,500 (25.0%) due to annual principal payments. Limited obligation bonds and the draw program increased \$22,341,534 (5.9%). There was an overall increase in net in pension and OPEB liability of \$31,825,976 (48.7%).

As mentioned in the financial highlights section of this document, Cabarrus County was upgraded to AAA from Aa1 rating from Moody's and AA+ rating from Fitch. For the 14th consecutive year, a rating of AA+ from Standard and Poor's has been maintained. These bond ratings are a clear indication of the sound financial condition of Cabarrus County.

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Cabarrus County is \$2,072,322,630 as of June 30, 2023. Additional information regarding Cabarrus County's long-term obligations can be found in the Notes to the Financial Statements, Note 2 section B (7) (g).

Economic Factors and Next Year's Budgets and Rates

Cabarrus County is a part of the Charlotte Metropolitan Statistical Area (MSA), which continues to experience economic growth.

The following key indicators reflect the economic condition of the County:

- Unemployment for the County was 3.3% for June 2023, compared to 3.7% at June 2022. Comparable rates for the state of North Carolina were 3.3% and 3.4% respectively. The unemployment rate decrease can be attributable to recovering from COVID-19 pandemic lockdowns, the American Rescue Plan that supported small businesses and continuous new jobs coming into the County.
- Population growth experienced an increase to approximately 235,797.
- A large diverse tax base with only 7.10% of assessed value attributed to the top ten taxpayers in the County.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2024 fiscal year.

Budget Highlights for the Upcoming Fiscal Year Ending June 30, 2024

Governmental Activities: The FY2024 budget maintained the property tax rate of 74 cents per \$100 of assessed valuation for a total budget of \$450,241,009, which is an increase of 5.9% over the FY2023 adopted budget. There were two primary revenue sources for the County, property taxes and sales taxes. Property taxes are expected to see a growth of approximately 4.3%. For sales tax revenues a growth of 12.5%.

The County directed new funding toward the following:

Personnel: The Most Important Commodity

To ensure we provide competitive compensation compared to other jurisdictions and the private industry, the FY24 budget increases overall personnel expenditures by 11.4%. These adjustments are a result of the County Commissioners focus on employees and retention by utilizing recently completed market studies that compared our pay rates to comparable cities and counties throughout North Carolina. In addition, the budget also includes funds for a 1% cost-of-living adjustment for all employees and merit pay increases of up to 4% based on their individual performance. An increase in healthcare spending of 5.7% and retirement contributions of 15.1% are also included in the budget. Competitive pay enables us to attract and retain high-quality employees to allow us to serve the community better.

The budget funds an additional 12 positions in public safety, emergency medical services, information technology, infrastructure & asset management, economic development, and the library to address the County's rapid growth and increased workloads across County departments strengthening essential County services.

Additional funding of \$874,432 for the Cabarrus Health Alliance will allow for inflationary and merit increases, nurses for the school nurse program and additional funding to allow CHA to provide a behavioral health program for the jail.

Education: Key to a Thriving Community

We cannot overstate the importance of making strategic investments in our education partners: Cabarrus County Schools (CCS), Kannapolis City Schools (KCS) and Rowan-Cabarrus Community College (Rowan-Cabarrus).

As always, part of the investment helps attract and retain top educators.

The FY24 budget includes for Cabarrus County Schools (CCS) funding increase of \$8,099,438 to cover rising costs of locally paid staff, facilities and grounds maintenance, and technology expenses. In addition to the day-to-day operations, the CCS budget includes additional funding of \$1,020,000 for minor capital needs. Such as buses or other school vehicles, technology equipment, building improvements and acquisition or replacement of furnishings and equipment. The CCS budget totals \$82.7 million, an increase of 10.8%. This budget also includes a 4.7% increase to Kannapolis City Schools (KCS). The KCS budget totals \$9.4 million.

The County is required to provide equal per-pupil funding for residents choosing to attend a charter school. Charter school enrollment continues to rise, with an estimate of nearly 3,000 students. That's a 21% increase over the past three years. This results in total per-pupil funding of \$6.5 million for Charter Schools, an increase of 3.2%.

Rowan-Cabarrus serves nearly 19,000 students each year through 55 degrees, 36 diplomas and 101 certificate programs. The college plays a vital role in workforce and economic development within the County and region. This results in total funding of \$4.3 million, an increase of 9.2%. Additional Capital Improvement funding for HVAC replacement at the South Campus of \$5.3 million is also included in the budget.

Capital Projects: Funding for Preservation and Growth

The FY24 budget includes:

- **\$38.2 million** from the General Fund to the Community Investment Fund (CIF) for current and future debt payments.
 - **\$62.1 million** for Cabarrus County Human Services Facility Design, Renovations and Construction.
 - **\$35.0 million** for Cabarrus County Public Safety Training Facility.
 - **\$11.0 million** for Cabarrus County Schools to renovation at Mary Frances Wall.
 - **\$16.0 million** for Cabarrus County Schools HVAC replacements at Weddington Hill Elementary School and Concord High School.
 - **\$7.5 million** for Cabarrus County Schools roof replacements at Hickory Ridge High School, Cox Mill Elementary School, and Wolf Meadow Elementary School.
 - **\$12.0 million** for Kannapolis City School's Fred L. Wilson Elementary School addition.
 - **\$7.0 million** for Kannapolis City School's Forest Park Elementary School HVAC replacement.

• **\$18.5 million** from the County’s pay-as-you-go (PAYGO) program. PAYGO is the use of cash rather than debt to pay for needed capital projects. The County will not issue new debt in FY24, which is consistent with our every-other-year cycle. PAYGO will fund a significant number of essential projects, including:

- **\$11.2 million** for various projects at County facilities. Examples include boardwalk replacement at Vietnam Veterans Park, mini-golf and office renovations at Frank Liske Park, CAD/Records Management System, chiller at Sheriff’s Administration Building, compactor at Landfill, design of Human Services Facility and potential land acquisition for future growth.
- **\$5.8 million** for Cabarrus County Schools to fund their Top 29 deferred maintenance projects. Project examples include the following taking place at multiple schools. Access control key fobs, roof repairs, HVAC replacements, chiller replacements, gym floor replacements, bleachers and concession stand upgrades and safe harbor locations being built. These projects would have a positive impact on 15 schools across the district.
- **\$1.5 million** for Kannapolis City Schools to fund various deferred maintenance projects including flooring replacements, security cameras and paving repairs.

While continued capital investments are necessary, it is important to set aside additional funding needed for the operation of the new facilities. The additional expenses will receive funding with current resources. Two years ago, the County used this budgeting method for the courthouse renovation/expansion project. Funds were budgeted for additional staffing and operating expenses, even though the facility would not open until 2023. Since then, these funds paid for one-time capital projects, allowing us to prevent facilities from unnecessary deterioration. With this budget, the funds shift fully to staffing and operating the new courthouse. Consistent with this approach, the budget sets aside \$3.2 million to cover a portion of the future operating expenses for the Library and Senior Center at Afton Ridge and the new behavioral health facilities in Kannapolis. These funds will become available for one-time capital projects until the facilities open.

Business-type Activities: The Landfill budget slightly decreased by \$80,472, or 3.7%, from the FY2023 adopted budget. The decrease is associated with an estimated decrease in normal services for the upcoming year.

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 Finance Department, Cabarrus County, 65 Church Street S, Concord, NC 28025. You can also call 704-920-2104 or visit our website at www.cabarruscounty.us.



Financial Information

The financial statements of the County have been audited by certified public accountants for the fiscal year ended June 30, 2023. Copies of these financial statements containing the unqualified report of the independent certified public accountant are from the Cabarrus County Finance Department, 65 Church Street SE, Concord NC 28026 and by telephone from James Howden, the Finance Director, at 704-920-2894.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Annual Comprehensive Financial Report for the past 39 years through the fiscal year ended June 30, 2023. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report which complies with both generally accepted accounting principles and applicable legal requirements.

The following financial statements are the Basic Financial Statements of the County and the notes thereto, lifted from the Annual Comprehensive Financial Report of the County for the fiscal year ended June 30, 2023.

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BASIC FINANCIAL STATEMENTS



CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit 1
Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 42,876,618	\$ 1,750,741	\$ 44,627,359	\$ 8,616,783
Investments	200,367,194	6,012,780	206,379,974	
Receivables (net of allowance for uncollectibles):				
Accounts receivable	17,957,530	-	17,957,530	3,935,398
Customers	2,357,203	17,110	2,374,313	393,349
Interest	3,179,434	-	3,179,434	-
Property taxes	1,697,924	-	1,697,924	-
Leases	299,044	-	299,044	-
Due from other governments	21,761,075	152,076	21,913,151	157,652
Inventories	500,998	-	500,998	-
Prepaid items	374,985	-	374,985	-
Restricted cash and cash equivalents	67,209,811	-	67,209,811	789,671
Net Register of Deeds				
Supplemental retirement asset	309,762	-	309,762	-
Notes receivable	-	-	-	200,000
Capital assets:				
Land and Construction in Progress	68,324,102	490,447	68,814,549	-
Other capital assets, net of depreciation	274,466,572	1,762,229	276,228,801	1,173,862
Right to use lease asset, net of amortization	3,630,229	-	3,630,229	461,295
Subscription asset, net of amortization	829,238	-	829,238	-
Total capital assets	347,250,141	2,252,676	349,502,817	1,635,157
Total assets	706,141,719	10,185,383	716,327,102	15,728,010
DEFERRED OUTFLOWS OF RESOURCES	49,928,492	143,986	50,072,478	8,753,904
LIABILITIES				
Accounts payable and other current liabilities	18,248,093	155,874	18,403,967	1,053,141
Liabilities to be paid from restricted assets	-	-	-	789,671
Advance from grantor	59,980,001	-	59,980,001	-
Accrued interest payable	4,424,290	-	4,424,290	965
Retainage payable	5,024,488	-	5,024,488	-
Long-term liabilities:				
Due within one year	118,544,654	100,249	118,644,903	1,321,660
Due in more than one year	413,392,410	4,338,057	417,730,467	14,478,272
Total long-term liabilities	531,937,064	4,438,306	536,375,370	15,799,932
Total liabilities	619,613,936	4,594,180	624,208,116	17,643,709

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

Exhibit 1
Page 2 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
DEFERRED INFLOWS OF RESOURCES	19,628,768	62,600	19,691,368	198,228
NET POSITION				
Net investment in capital assets	183,698,605	2,252,676	185,951,281	1,159,138
Restricted for :				
Stabilization by state statute	127,901,297	-	127,901,297	2,250,238
Register of Deeds	448,864	-	448,864	-
Emergency Telephone 911	365,218	-	365,218	-
Public Safety	9,898,487	-	9,898,487	-
Community Development programs	47,091	-	47,091	-
Soil & Water programs	116,571	-	116,571	-
Economic and physical development	46,961	-	46,961	-
Social Services grants	329,133	-	329,133	-
School debt	4,360,679	-	4,360,679	-
Cabarrus Arena & Events Center	51,757	-	51,757	-
Human Services	1,720,363	-	1,720,363	-
Register of Deeds Pension Plan	489,903	-	489,903	-
Unrestricted	(212,647,422)	3,419,913	(209,227,509)	3,230,601
Total net position	\$ 116,827,507	\$ 5,672,589	\$ 122,500,096	\$ 6,639,977

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 2

Function/Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 38,650,194	\$ 4,007,426	\$ 8,694,960	\$ -	\$ (25,947,808)	\$ -	\$ (25,947,808)	
Public safety	82,186,124	19,647,444	2,350,919	-	(60,187,761)	-	(60,187,761)	
Economic and physical development	4,977,516	438,181	676,855	-	(3,862,480)	-	(3,862,480)	
Environmental protection	121,645	-	-	-	(121,645)	-	(121,645)	
Human services	64,264,463	281,427	50,953,051	-	(13,029,985)	-	(13,029,985)	
Education	140,498,917	1,765,536	729,988	2,895,148	(135,108,245)	-	(135,108,245)	
Culture and recreation	10,308,138	1,438,785	1,262,072	-	(7,607,281)	-	(7,607,281)	
Interest on long-term debt	16,448,929	-	-	-	(16,448,929)	-	(16,448,929)	
Total governmental activities	<u>357,455,926</u>	<u>27,578,799</u>	<u>64,667,845</u>	<u>2,895,148</u>	<u>(262,314,134)</u>	<u>-</u>	<u>(262,314,134)</u>	
Business-Type Activities:								
Solid Waste	2,370,143	1,025,067	-	-	-	(1,345,076)	(1,345,076)	
Total business-type activities	<u>2,370,143</u>	<u>1,025,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,345,076)</u>	<u>(1,345,076)</u>	
Total primary government	<u>\$ 359,826,069</u>	<u>\$ 28,603,866</u>	<u>\$ 64,667,845</u>	<u>\$ 2,895,148</u>	<u>(262,314,134)</u>	<u>(1,345,076)</u>	<u>(263,659,210)</u>	
Component Unit:								
Cabarrus Health Alliance	<u>\$ 35,401,437</u>	<u>\$ 8,636,463</u>	<u>\$ 24,818,871</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (1,946,103)</u>
General Revenues:								
Property taxes					238,498,719	-	238,498,719	-
Local option sales tax					78,357,960	-	78,357,960	-
ABC revenues					242,721	-	242,721	-
Other taxes and licenses					1,410,618	607,752	2,018,370	-
Investment earnings					9,817,567	169,253	9,986,820	298,825
Miscellaneous					3,520,931	6,230	3,527,161	35,833
Total general revenues, excluding transfers					331,848,516	783,235	332,631,751	334,658
Transfers					(621,872)	621,872	-	-
Total general revenues and transfers					331,226,644	1,405,107	332,631,751	334,658
Change in net position					68,912,510	60,031	68,972,541	(1,611,445)
Net position, beginning,					47,914,997	5,612,558	53,527,555	8,251,422
Net position, ending					<u>\$ 116,827,507</u>	<u>\$ 5,672,589</u>	<u>\$ 122,500,096</u>	<u>\$ 6,639,977</u>

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

CABARRUS COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

EXHIBIT 3
PAGE 1 OF 3

	Major				Non-Major	
	General	County Capital Projects	CARES Act Relief	Opioid Settlement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,509,853	\$ 15,615,990	\$ -	\$ -	\$ 10,554,309	\$ 28,680,152
Investments	176,749,319	13,286,338	-	-	10,331,547	200,367,204
Restricted assets						
Investments	-	41,460,775	-	1,036,354	-	42,497,129
Cash	6,536,470	-	17,810,872	313,583	51,757	24,712,682
Receivables (net of allowance for uncollectible)						
Accounts receivable	1,506,382	-	-	16,394,116	39,206	17,939,704
Customers	2,357,203	-	-	-	-	2,357,203
Property taxes	1,697,924	-	-	-	-	1,697,924
Interest	3,075,527	-	-	-	-	3,075,527
Lease	299,044	-	-	-	-	299,044
Due from other governments	21,622,275	-	-	-	116,896	21,739,171
Prepaid items	140,662	-	-	-	23,722	164,384
Inventories	500,998	-	-	-	-	500,998
Total assets	<u>\$ 216,995,657</u>	<u>\$ 70,363,103</u>	<u>\$ 17,810,872</u>	<u>\$ 17,744,053</u>	<u>\$ 21,117,437</u>	<u>\$ 344,031,122</u>
LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 10,722,549	\$ 2,469,577	\$ 3,825	\$ -	\$ 3,505,747	\$ 16,701,698
Advance from grantor	2,172,954	40,000,000	17,807,047	-	-	59,980,001
Contract retainages	-	3,732,379	-	-	1,292,109	5,024,488
Total liabilities	<u>12,895,503</u>	<u>46,201,956</u>	<u>17,810,872</u>	<u>-</u>	<u>4,797,856</u>	<u>81,706,187</u>
DEFERRED INFLOWS OF RESOURCES	<u>5,088,612</u>	<u>-</u>	<u>-</u>	<u>16,394,116</u>	<u>127,958</u>	<u>21,610,686</u>
FUND BALANCES						
Nonspendable:						
Inventories	500,998	-	-	-	-	500,998
Prepaid items	140,662	-	-	-	23,722	164,384
Leases	7,427	-	-	-	-	7,427

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

CABARRUS COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

EXHIBIT 3
PAGE 2 OF 3

	Major			Non-Major	Total
	General	County Capital Projects	CARES Act Relief	Other Governmental Funds	Governmental Funds
FUND BALANCES (continued)					
Restricted:					
Stabilization by state statute	32,731,628	75,472,003	17,350,496	2,347,170	127,901,297
Register of Deeds Automation & Enhancement	-	-	-	448,864	448,864
General government	2,837	-	-	-	2,837
Emergency Telephone 911	-	-	-	365,218	365,218
Public Safety	9,700,726	-	-	197,761	9,898,487
Community Development programs	-	-	-	47,091	47,091
Soil & Water programs	-	-	-	116,571	116,571
Economic & physical development	46,961	-	-	-	46,961
Social Services grants	329,133	-	-	-	329,133
School debt & construction	4,360,679	-	-	-	4,360,679
Cabarrus Arena & Events Center	-	-	-	51,757	51,757
Human services	-	-	-	370,426	1,720,363
Committed:					
Community Investment Fund	46,834,275	-	-	-	46,834,275
General government	2,338,500	-	-	-	2,338,500
Public safety	290,820	-	-	-	290,820
Economic & physical development	5,728,489	-	-	2,414,067	8,142,556
Human services	167,872	-	-	153,501	321,373
Education	-	-	-	6,317,927	6,317,927
Culture & recreation	202,500	-	-	-	202,500
Assigned:					
General government	5,505,000	-	-	-	5,505,000
Public safety	602,727	-	-	-	602,727
Economic & physical development	30,000	-	-	-	30,000
Culture & recreation	21,000	-	-	3,409,448	3,430,448
Unassigned	89,469,308	(51,310,856)	(17,350,496)	(71,900)	20,736,056
Total fund balances	199,011,542	24,161,147	-	16,191,623	240,714,249
Total liabilities, deferred inflows of resources, and fund balances	\$ 216,995,657	\$ 70,363,103	\$ 17,810,872	\$ 21,117,437	\$ 344,031,122

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

CABARRUS COUNTY, NORTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
JUNE 30, 2023

EXHIBIT 3A
PAGE 3 OF 3

Total fund balances-total governmental funds		\$ 240,714,249
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Government capital assets	459,584,843	
Less accumulated depreciation	<u>(116,794,169)</u>	342,790,674
Right to use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Government capital assets	5,881,913	
Less accumulated depreciation	<u>(2,251,684)</u>	3,630,229
Subscription based assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Government capital assets	1,167,915	
Less accumulated depreciation	<u>(338,677)</u>	829,238
Charges related to advance refunding bond issue		8,247,602
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Deferred inflows of resources for taxes, Opioid settlement and ambulance receivables		20,449,234
Premium on debt issuance		<u>(25,423,901)</u>
Sales tax receivable for capital lease		21,904
Contributions and other costs to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		
Pension		32,149,323
Register of Deeds Supplemental Retirement		216,741
Benefit payments and pension administration costs for LEOSSA		3,716,533
Contributions and administration costs for OPEB are deferred outflows of resources		5,598,293
Internal service funds are used by management to charge the costs of self-insured hospitalization dental, Workers Compensation, and Liability Insurance to individual departments.		12,878,486
Pension related deferred inflows		(2,262,720)
OPEB related deferred inflows		<u>(16,204,594)</u>
Long-term liabilities, including bonds payable and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and other debt payable	(398,764,977)	
Accrued interest	(4,320,383)	
Lease liability	(3,757,265)	
Subscription liability	(817,627)	
Compensated absences	(6,338,831)	
Net LEO Pension liability	(12,244,359)	
Net LGERS liability	(48,833,784)	
Net Register of Deeds Supplemental Retirement asset	309,762	
Total OPEB liability	<u>(35,756,320)</u>	<u>(510,523,784)</u>
Net position of governmental activities		<u>\$ 116,827,507</u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 4
PAGE 1 OF 3

	Major				Non-Major	
	General	County Capital Projects	Cares Act Relief	Opioid Settlement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Ad valorem taxes	\$ 231,483,637	\$ -	\$ -	\$ -	\$ 6,963,056	\$ 238,446,693
Other taxes and licenses	79,768,578	-	-	-	-	79,768,578
Intergovernmental revenues	33,362,860	700,000	12,972,802	1,393,979	4,198,205	52,627,846
Permits and fees	9,320,563	-	-	-	-	9,320,563
Sales and services	15,331,548	-	-	-	2,403,282	17,734,830
Investment earnings	8,140,949	1,466,884	-	25,958	198,935	9,832,726
Donations	-	-	-	-	1,895,587	1,895,587
Miscellaneous	384,435	-	-	-	12,748	397,183
Total revenues	377,792,570	2,166,884	12,972,802	1,419,937	15,671,813	410,024,006
EXPENDITURES						
Current:						
General government	37,002,746	2,768,140	322,986	-	54,661	40,148,533
Public safety	65,616,214	4,243,774	-	-	6,988,424	76,848,412
Economic & physical development	4,805,282	-	-	-	98,075	4,903,357
Environmental protection	-	-	-	-	64,527	64,527
Human services	49,239,293	-	12,649,816	70,000	363,532	62,322,641
Culture and recreation	7,366,736	-	-	-	1,925,528	9,292,264
Education	96,068,495	-	-	-	44,430,422	140,498,917
Capital outlay	-	48,287,255	-	-	33,045	48,320,300
Debt service:						
Principal retirement	46,217,092	-	-	-	-	46,217,092
Interest and fees	15,693,671	-	-	-	-	15,693,671
Total expenditures	322,009,529	55,299,169	12,972,802	70,000	53,958,214	444,309,714
Excess (deficiency) of revenues over (under) expenditures	55,783,041	(53,132,285)	-	1,349,937	(38,286,401)	(34,285,708)

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 4
PAGE 2 OF 3

	Major				Non-Major	
	General	County Capital Projects	Cares Act Relief	Opioid Settlement	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	38,628,774	-	-	23,340,743	61,969,517
Subscription liabilities issued	1,167,916	-	-	-	-	1,167,916
Transfers in	2,325,174	18,176,001	-	-	19,220,401	39,721,576
Transfers out	(38,018,274)	-	-	-	(2,325,174)	(40,343,448)
Total other financing sources (uses)	(34,525,184)	56,804,775	-	-	40,235,970	62,515,561
Net change in fund balances	21,257,857	3,672,490	-	-	1,949,569	28,229,853
Fund balance, July 1, as previously reported	177,753,685	20,488,657	-	-	14,242,054	212,484,396
Fund balance, June 30	<u>\$ 199,011,542</u>	<u>\$ 24,161,147</u>	<u>\$ -</u>	<u>\$ 1,349,937</u>	<u>\$ 16,191,623</u>	<u>\$ 240,714,249</u>

A legally budgeted Capital Investment Fund is consolidated into the General Fund for reporting purposes.

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

CABARRUS COUNTY, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 4A
PAGE 3 OF 3

Net change in fund balances-total governmental funds		\$ 28,229,853
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and depreciated over their estimated useful lives.		
Expenditures for capital assets	53,514,094	
Less current year depreciation	(9,338,547)	44,175,547
Subscription asset capital outlay expenditures which were capitalized	1,167,915	
Subscription amortization expense	(338,677)	
Right to use lease assets amortization expense	(1,125,841)	(296,603)
Changes in contributions and other costs to the pension plan		12,622,004
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
OPIOID settlement	16,394,116	
Ambulance	361,858	
Property tax	52,026	16,808,000
The effect of various miscellaneous transactions involving capital assets		
Disposal of capital assets, net book value	(218,996)	(218,996)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This amount is the net effect of these differences in the treatment of:		
Debt proceeds	(61,969,517)	
New long-term debt issued (subscriptions)	(1,167,916)	
Amortization of current year debt premium	2,484,483	
Principal payments	46,217,092	
Deferred charge on refunding	(1,708,505)	(16,144,363)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(555,495)	
Law Enforcement Officers Pension Liability	(962,331)	
Local Government Employees Retirement System	(18,066,559)	
Register of Deeds Supplemental Retirement	(165,509)	
Other Postemployment Benefit Liability	2,289,450	
Accrued interest	(1,638,475)	(19,098,919)
Internal service funds are used by management to charge the cost of self-insured hospitalization dental, workers compensation, and liability systems to individual departments.		2,835,987
Changes in net position of governmental activities		\$ 68,912,510

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

CABARRUS COUNTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL****GENERAL FUND****FOR THE FISCAL YEAR ENDED JUNE 30, 2023****EXHIBIT 5****PAGE 1 OF 2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 226,563,987	\$ 226,563,987	\$ 231,483,637	\$ 4,919,650
Other taxes and licenses	42,293,000	42,293,000	49,971,456	7,678,456
Intergovernmental revenues	25,147,250	34,336,937	32,632,872	(1,704,065)
Permits and fees	9,931,343	9,931,343	9,320,563	(610,780)
Sales and services	13,454,082	13,695,653	15,331,548	1,635,895
Investment earnings	200,000	200,000	7,067,637	6,867,637
Miscellaneous	268,900	271,900	384,435	112,535
Total revenues	317,858,562	327,292,820	346,192,148	18,899,328
EXPENDITURES				
Current:				
General government	44,435,665	47,740,573	35,834,829	11,905,744
Public safety	67,497,152	74,538,804	65,616,214	8,922,590
Economic & physical development	6,328,686	6,626,413	4,805,282	1,821,131
Human services	52,705,105	58,213,186	49,239,293	8,973,893
Education	92,875,564	94,893,651	94,848,495	45,156
Culture and recreation	7,715,516	8,321,592	7,366,736	954,856
Total expenditures	271,557,688	290,334,219	257,710,849	32,623,370
Excess (deficiency) of revenues over (under) expenditures	46,300,874	36,958,601	88,481,299	51,522,698
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,175,694	1,175,694	-
Transfers out	(46,300,874)	(68,696,406)	(68,686,406)	10,000
Fund balance appropriated	-	30,562,111	-	(30,562,111)
Total other financing sources (uses)	(46,300,874)	(36,958,601)	(67,510,712)	(30,552,111)

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

CABARRUS COUNTY, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL****GENERAL FUND****FOR THE FISCAL YEAR ENDED JUNE 30, 2023****EXHIBIT 5****PAGE 2 OF 2**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Net change in fund balance	\$ -	\$ -	20,970,587	\$ 20,970,587
Fund balance, July 1			126,843,165	
Fund balance, June 30			147,813,752	
A legally budgeted Community Investment Fund is consolidated into the General Fund for reporting purposes:				
Other taxes and licenses			29,797,121	
Intergovernmental revenues			729,988	
Investment earnings			1,073,312	
Expenditures			(58,428,678)	
Transfer in - General Fund			64,786,707	
Transfer in - Other Funds			2,325,174	
Subscription liabilities			1,167,916	
Transfer out			(35,294,270)	
Fund balance, June 30			153,971,022	
Fund balance, July 1			50,910,520	
Debt service payment made from sinking fund held by trustee and previously budgeted			(7,200,000)	
A legally budgeted principal debt service payment was made to a sinking fund held by a trustee in the County's name				
			1,330,000	
			\$ 199,011,542	

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

CABARRUS COUNTY, NORTH CAROLINA**EXHIBIT 6****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL****OPIOID SETTLEMENT FUND****FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,321,587	\$ 1,321,587	\$ 1,393,979	\$ 72,392
Investment earnings	-	-	25,958	25,958
Total revenues	<u>1,321,587</u>	<u>1,321,587</u>	<u>1,419,937</u>	<u>98,350</u>
EXPENDITURES				
Current:				
Human services	<u>1,321,587</u>	<u>1,321,587</u>	<u>70,000</u>	<u>1,251,587</u>
Total expenditures	<u>1,321,587</u>	<u>1,321,587</u>	<u>70,000</u>	<u>1,251,587</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,349,937</u>	<u>1,349,937</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,349,937	<u>\$ 1,349,937</u>
Fund balance, July 1			<u>-</u>	
Fund balance, June 30			<u>\$ 1,349,937</u>	

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

EXHIBIT 7
PAGE 1 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,750,741	\$ 14,196,456
Investments	6,012,780	
Receivables (net):		
Accounts	-	17,826
Customers	17,110	-
Due from other governments	152,076	-
Prepaid expenses	-	210,601
Total current assets	<u>7,932,707</u>	<u>14,424,883</u>
Noncurrent assets:		
Land	490,447	-
Land improvements	2,376,141	-
Buildings & improvements	1,256,544	-
Vehicles and equipment	2,352,840	29,664
Less: Accumulated depreciation	<u>(4,223,296)</u>	<u>(29,664)</u>
Total noncurrent assets (net)	<u>2,252,676</u>	<u>-</u>
Total assets	<u>10,185,383</u>	<u>14,424,883</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in fiscal year	122,633	-
OPEB deferrals	<u>21,353</u>	<u>-</u>
Total deferred outflows of resources	<u>143,986</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	155,874	51,594
Landfill closure post closure costs	90,000	-
Compensated absences	<u>10,249</u>	<u>-</u>
Total current liabilities	<u>256,123</u>	<u>51,594</u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

EXHIBIT 7
PAGE 2 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
LIABILITIES (continued)		
Noncurrent liabilities:		
Net pension liability	186,276	-
Claims payable	-	1,494,803
Landfill closure post closure costs	4,011,973	-
Compensated absences	3,416	-
Total OPEB liability	136,392	-
Total noncurrent liabilities	<u>4,338,057</u>	<u>1,494,803</u>
 Total liabilities	 <u>4,594,180</u>	 <u>1,546,397</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	787	-
OPEB deferrals	61,813	-
Total deferred inflows of resources	<u>62,600</u>	<u>-</u>
NET POSITION		
Net Investment in capital assets	2,252,676	-
Unrestricted	<u>3,419,913</u>	<u>12,878,486</u>
 Total net position	 <u>\$ 5,672,589</u>	 <u>\$ 12,878,486</u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 8
PAGE 1 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
Operating revenues:		
Charges for sales and services:		
Tipping fees	\$ 784,504	\$ -
Items for sale	83,538	-
Waste disposal fees	113,757	-
Recycling revenues	43,268	-
Insurance premiums refunds	-	20,771,930
Program fees	-	33,645
Total operating revenues	<u>1,025,067</u>	<u>20,805,575</u>
Operating expenses:		
Salaries and benefits	803,444	-
Operations	1,475,854	18,213,287
Depreciation	90,845	3,955
Total operating expenses	<u>2,370,143</u>	<u>18,217,242</u>
Operating income (loss)	<u>(1,345,076)</u>	<u>2,588,333</u>
Nonoperating revenues:		
Landfill disposal tax	33,656	-
Landfill state tax distribution	55,787	-
Solid waste franchise fee	30,000	-
White Goods Disposal Tax	52,010	-
Tire disposal fees	436,299	-
Investment earnings	169,253	251,607
Miscellaneous revenue	6,230	-
Total nonoperating revenues	<u>783,235</u>	<u>251,607</u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 8
PAGE 2 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
Nonoperating expense - loss on disposal		
Income (loss) before contributions	(561,841)	2,839,940
Transfers:		
Transfer in - General Fund	621,872	-
Change in net position	60,031	2,839,940
Total net position, July 1	5,612,558	10,038,546
Total net position, June 30	<u>\$ 5,672,589</u>	<u>\$ 12,878,486</u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 9
PAGE 1 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 988,149	\$ 6,660
Cash received from departments	-	20,574,113
Cash paid to employees	(785,406)	-
Cash paid to suppliers for goods and services	(981,413)	(18,485,331)
Net cash provided (used) by operating activities	<u>(778,670)</u>	<u>2,095,442</u>
Cash flows from non-capital and related financing activities:		
Transfer in	621,872	-
Non-capital grants and other subsidies	613,983	-
Net cash provided (used) by non-capital financing activities	<u>1,235,855</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(59,075)	-
Net cash (used) by capital and related financing activities	<u>(59,075)</u>	<u>-</u>
Cash flows from investing activities:		
Interest received on investments	169,253	251,607
Net cash provided by investing activities	<u>169,253</u>	<u>251,607</u>
Net increase in cash and cash equivalents	567,363	2,347,049
Cash and cash equivalents, July 1	<u>7,196,158</u>	<u>11,849,407</u>
Cash and cash equivalents, June 30	<u><u>\$ 7,763,521</u></u>	<u><u>\$ 14,196,456</u></u>

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

CABARRUS COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

EXHIBIT 9
PAGE 2 OF 2

	Business-type Activities Landfill Enterprise Fund	Governmental Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (1,345,076)	\$ 2,588,333
Depreciation expense	90,845	3,955
Pension expense	(116,372)	-
Accounts receivable and prepaid expenses	-	(224,804)
Customers receivable	489	-
Due from other governments	(37,407)	-
Increase in pension liability	137,660	-
Accrued salaries and compensated absences payable	(2,122)	(272,042)
Accounts payable	(34,348)	-
Deferred inflows of resources (OPEB)	1,044	-
Landfill closure post-closure care cost	536,095	-
OPEB Liability	(12,093)	-
Deferred inflows of resources (OPEB)	2,615	-
Total adjustments	566,406	(492,891)
Net cash provided (used) by operating activities	\$ (778,670)	\$ 2,095,442

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

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

EXHIBIT 10

	Custodial Funds	OPEB Trust Fund
ASSETS		
Cash and cash equivalents	\$ 1,600,487	\$ 4,074,775
Accounts receivable	915,775	-
Total assets	2,516,262	4,074,775
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	2,516,262	4,074,775
Total fiduciary net position	<u>\$ 2,516,262</u>	<u>\$ 4,074,775</u>

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

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

EXHIBIT 11

	Custodial Funds	OPEB Trust Fund
ADDITIONS		
Employer contributions	\$ -	\$ 2,000,000
Investment income	-	72,097
Ad valorem taxes collected for other governments	126,470,557	-
Collections on behalf of inmates	837,255	-
Total additions	<u>127,307,812</u>	<u>2,072,097</u>
DEDUCTIONS		
Tax distributions to other governments	126,500,682	-
Payments on behalf of inmates	908,692	-
Total deductions	<u>127,409,374</u>	<u>-</u>
Net increase (decrease) in fiduciary net position	(101,562)	2,072,097
Net position - beginning	<u>2,617,824</u>	<u>2,002,678</u>
Net position - ending	<u>\$ 2,516,262</u>	<u>\$ 4,074,775</u>

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and the following accounting policies of Cabarrus County, North Carolina (the “County”) and its component units conform to accounting principles generally accepted in the United States of America as applicable to local governments. 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 five-member board of commissioners, is one of the one hundred counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities, for which the County is financially accountable. The Cabarrus Development Corporation, blended component unit, and the Cabarrus County Industrial Facility and Pollution Control Financing Authority, a discretely presented component unit, described below, have no financial transactions or account balances; therefore, they do not appear in the financial statements. The Cabarrus County Development Corporation was organized and shall be operated exclusively 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 improvements, facilities, and equipment. The Cabarrus County Industrial Facility and Pollution Control Financing Authority exist 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 on the basic financial statements. The Public Health Authority of Cabarrus County, a discretely presented component unit described below, is reported in a separate column in the County’s financial statements in order to emphasize that it is legally separate from the County.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Cabarrus Development Corporation	Blended	The Development Corporation is governed by a three-member Board of Directors who are established through the bylaws of the Articles of Incorporation. The Corporation exists to provide debt financing to the County	None issued
Cabarrus County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member Board of Commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued
Public Health Authority of Cabarrus County d.b.a. Cabarrus Health Alliance	Discrete	Cabarrus Health Alliance (the “Alliance” was incorporated under the hospital authority act to provide public health care to the citizens and residents of the County. On April 20 th , 1998, the Cabarrus County Board by resolution authorized the transfer of powers, duties, and responsibilities to the Alliance for communicable disease control, environmental protection, and maintenance of vital records. The members of the Board of Alliance are appointed by the Chairperson of the Board of Commissioners for Cabarrus County. The County provides funding to the Alliance. The County funded the Alliance with \$10,681,910 or 31.30% of its total revenues for the fiscal year ended June 30, 2023. A financial benefit or burden relationship exists between the Alliance and the County.	Cabarrus Health Alliance 300 Mooresville Road Kannapolis, NC 28081

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government's (the County's) and its component unit's net position. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, although interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 non-major 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 - This is the County's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Community Investment Fund is a legally budgeted fund under North Carolina General Statutes; however, for statement presentation, in accordance with GASB 54, it is consolidated in the General Fund.

County Capital Projects – constructs, renovates, and equips capital projects for the County through the use of debt and non-debt sources.

CARES Act Relief – This fund accounts for funding received from the federal government to cover COVID-19 expenditures for public health emergency.

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

Opioid Settlement Fund – accounts for the receipt and expenditure of OPIOID Settlement Funds.

The County reports the following major proprietary fund:

Landfill Fund. This fund accounts for the operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The County reports the following fund types:

Internal Service Fund. This fund accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County has two internal service funds, the Medical and Dental Fund and the Property Liability and Workers' Compensation Fund.

Custodial Funds. These funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Undistributed Taxes Fund and the Jail Commissary Fund. The Undistributed Taxes Fund is used to accumulate collected property taxes before they are distributed to local municipalities. The Jail Commissary Fund is used to account for an inmate's money deposited with the County when an inmate is housed at the County Detention Center. The money can be used by the inmate to purchase commissary items. Any unused monies are returned to the inmate upon their release.

Trust Funds. This fund is used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans or other postemployment benefit plans. The Other Postemployment Benefits Trust Fund accounts for the County's contributions for healthcare coverage provided to qualified retirees.

Special Revenue Funds. These funds account for revenue sources that are legally restricted or committed to expenditures for specific purposes (not including expendable trusts or major capital projects). The County maintains the following non-major special revenue funds:

Emergency Telephone System – accounts for the receipt and disbursement of funds for the Cabarrus County Emergency 911 system.

Community Development Block Grant – accounts for the receipt and disbursement of grant funds from the Community Development Block Grant.

Cabarrus Arena and Events Center – accounts for the operations of the County owned Arena and Events Center and the annual Cabarrus County Fair.

Fire Districts – accounts for the receipt and disbursement of property taxes collected by Cabarrus County and then remitted to each fire department for the purpose of providing fire protection to a specific tax area.

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

Sheriff's Department – collects and appropriates federal and state funds received specifically for the Cabarrus County Sheriff's Department.

Department of Aging – collects and appropriates contributions and private donations received specifically for the Cabarrus County Department of Aging's Senior Citizen programs and projects.

Social Services Fund - used to account for money deposited with the County through the social services department under a program which manages the financial affairs of persons unable or incapable of managing them on their own.

Intergovernmental Fund – accounts for the penalties, fines and forfeitures collected by the County and remitted to school systems.

Capital Projects Funds. These funds account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The County maintains the following non-major capital projects funds:

Public School Building – collects state public school funds and lottery proceeds and disbursing the funds for smaller non-debt school capital projects.

School Capital Projects – This fund accounts for planning, design, construction and/or renovation of schools using debt and non-debt sources.

Small Projects – collects and appropriates General Fund revenues and federal and state grant funds received specifically for use by the appropriate Cabarrus County Department who has received the funds.

Measurement Focus – Basis of Accounting

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide, proprietary fund 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, 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 eligibility requirements have been satisfied.

In the Undistributed Tax Fund, a fiduciary custodial fund, ad valorem taxes related to various municipalities, for which the County bills and collects are recorded as a receivable in the period that the taxes are levied. An allowance for uncollectible accounts is also recorded.

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

In the OPIOID Settlement Fund, funds were earned at the point the County entered into the settlement agreement. Since some companies may cease making payments at some point in the future for various reasons, and an allowance is also recorded.

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 and settlements. 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, depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 60 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. On June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions 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.

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

C. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Community Investment Fund, the Cabarrus Arena and Events Center Special Revenue Fund, the OPIOID Settlement Special Revenue Fund, the Landfill Fund, the Social Services Payee Special Revenue Fund, the Intergovernmental Special Revenue Fund, the Fire Districts Special Revenue Fund, and the Emergency Telephone Special Revenue Fund, all annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the remaining special revenue funds and the capital projects funds. The County operates under a financial plan for the Medical and Dental and Property Liability and Workers' Compensation Internal Service Funds. The financial plans are adopted by the governing board at the time the County's budget ordinance was approved, as required by the General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the multi-year funds.

1. The County Manager may not distribute funds appropriated to a private entity until the County and the private entity enter into a written contract or agreement specifying the following:
 - The purposes for which the private entity may use the funds, which shall comply with the requirements of G.S. 153A-449(a) and N.C. Const. Art. V, Sec. 2.
 - Requirements for accounting for the management and expenditure of County funds.
 - Any other fiscal or programmatic control deemed appropriate by the County Manager to ensure the lawful and appropriate spending and management of the County funds.
2. The County Manager, or his designee, may transfer moneys from one appropriation to another within the same fund. The County Manager must report such transfers to the Board of Commissioners at its next regular meeting and record such notice in the minutes.
3. The Board of Commissioners must approve the use of any contingency appropriation within any fund except for the County Manager may authorize expenditures from contingency appropriations to fund an increase in charter school student enrollment. Expenditures from contingency appropriations authorized by the County Manager must be reported to the board at its next regular meeting and recorded in the minutes.
4. The County Manager, Budget Director, or designee may create debt-financing amendments from estimated projections upon approval by the Board of Commissioners of the debt financing and adjust as needed upon closing.
5. The County Manager or designee may enter into and execute change orders or amendments to construction contracts in amounts less than \$90,000 when the appropriate annual budget or capital project ordinance contains sufficient appropriated but unencumbered funds.

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

6. The County Manager or designee may execute contracts not required to be bid or which G.S. 143-131 allows an informal bid so long as the annual budget or appropriate capital project ordinance contains sufficient appropriated but unencumbered funds for such purposes.
7. The County Manager or designee may execute contracts with outside agencies to properly document budgeted appropriations to such agencies where G.S. 153A-248(b), 259, 449 and any similar statutes require such contracts.
8. The County Manager or designee may reject formal bids when deemed appropriate and in the best interest of Cabarrus County pursuant to G.S. 143-129(a).
9. The appropriations for Cabarrus County Schools and Kannapolis City Schools are allocated by category. Cabarrus County Schools and Kannapolis City Schools must obtain the approval of the Board of Commissioners for any amendment that would increase or decrease the amount of County appropriations allocated by category by more than ten percent.

In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent the final authorized amounts as of June 30, 2023.

Expenditures may not legally exceed budgeted appropriations at the functional level for all annually budgeted funds, financial plans, and multi-year funds. During the year, several supplementary appropriations were necessary. The net effect of the budget amendments from the adopted budget to the final amended budget was immaterial. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers the time until the annual ordinance can be adopted.

As required by General Statute (G.S.) 159-26(d), the County maintains encumbrance accounts, which are considered to be "budgetary accounts". Encumbrances represent commitments related to unperformed contracts and purchase orders for goods or services. Encumbrances are recognized during the year.

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

1. Deposits and Investments

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

State law [G.S. 159-30] authorizes the County and its component units 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).

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

General Statute 159-30.1 allows the County to establish and fund an irrevocable trust for the purpose of paying post-employment benefits (OPEB) for which the County is liable. The County Other Postemployment Benefit (OPEB) Trust is managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. The Trust is not registered with the SEC. G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short-term fixed income investments as detailed in G.S. 147-69.2(b) (1-6) and (8). Funds submitted are held on the State Treasurer's Short-Term Investment Fund (STIF). Allowable STIF investments are detailed in G.S. 147-69.1.

The County's and its component unit's investments with a maturity of more than one year at acquisition, and non-money market investments, are carried at fair value as determined by quoted market prices.

- The NC Capital Management Trust Government Portfolio, a SEC-registered 2a-7 money market mutual fund, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.
- Ownership of the STIF is determined on a fair marker valuation basis as of fiscal year-end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs-other than quoted prices-included with Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and has a weighted average maturity at June 30, 2023, of 0.7 years. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

2. Cash and Cash Equivalent

A centralized cash account is maintained and may be used by all funds except the Public-School Building Fund and the OPEB Trust Fund. Interest is allocated quarterly to the owning funds based on the average cash balances outstanding during the quarter. Public School Building Fund cash is held by the Department of State Treasurer, state of North Carolina, in a separate account upon which manual checks may be issued and/or drawdowns of funds may be made.

The County, as well as the Cabarrus Health Alliance, pools monies from several funds to facilitate disbursement and investment and to maximize investment income. The County considers all demand deposits and investments with a maturity date of 90 days or less, at the time of purchase to be cash and cash equivalents.

3. Restricted Assets

ARPA funds are classified as restricted cash because funds must be expended in accordance with the American Rescue Plan Act. Additional restricted amounts at year end are for debt payments held in escrow by agent, advances from grantors related to grant advances and cash that is restricted for grant purposes such as SCIF and opioid settlement funds, advance for Medicaid expansion, unspent ERAP funds and funds for the Cabarrus Arena and Events Center. These assets have been reclassified as restricted cash or restricted investments on the Statement of Net Position and the Governmental Balance Sheet. The amounts are considered restricted because their use is expressly prohibited except for the original purpose of which the funds were received.

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

Governmental Activities		
General Fund	Debt payments held in escrow by agent	\$ 4,363,516
General Fund	Unspent Grant Funds	1,472,103
General Fund	Advance from Grantor - Medicaid Expansion	700,851
County Capital Projects	SCIF funds, including interest	41,460,775
Cares Act Relief	Unspent ARPA relief funds	17,803,143
Cares Act Relief	Unspent ERAP funds	7,729
Opioid Settlement Fund	Unspent Opioid settlement proceeds	1,349,937
Cabarrus Arena and Events Center Fund	Unspent escrow	51,757
Total Restricted Cash		<u>\$ 67,209,811</u>

Cash and cash equivalents in the OPEB Trust Fund are considered restricted because it can only be used to pay other postemployment benefit obligations.

4. Ad Valorem Taxes Receivable

In accordance with G.S. 105-347 and G.S. 159-13(a), ad valorem taxes on property other than motor vehicles are levied on July 1, the beginning of the fiscal year, and are due on September 1; however, penalties and interest does not accrue until the following January 6. The taxes are based on the assessed values as of January 1, 2022. The legal lien date is January 1.

The County is permitted by North Carolina general statutes to levy taxes up to \$1.50 per \$100 assessed valuation for general governmental services. This limitation does not apply to debt service, court, and jail facilities, funding deficits, conducting elections, kindergarten to post-secondary public education, social services, or joint ventures with other political subdivisions in providing these functions, services, or activities. The County's tax rate for the 2022-2023 fiscal year was \$0.74 per \$100 valuation.

5. Lease Receivable

The County's lease receivable is measured at the present value of lease payments expected to be received during the lease term. There are no variable components under the lease agreement. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

6. Allowances for Doubtful Accounts

Ad valorem taxes for the County and various municipalities for which the County bills, and Emergency Management Services 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.

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

Based on the County's collection history for Landfill accounts and the aging report as of June 30, 2023, the County expects the total accounts receivable for the Landfill to be collected. The County does not consider accounts uncollectible unless greater than three years. Therefore, an allowance for doubtful accounts has not been recorded for the Landfill. Of the total accounts receivable at June 30, 2023, eight credit customers had a balance greater than 30 days past due. These accounts are expected to be paid in full.

Opioid settlement funds were earned when the County entered into a settlement agreement. Since some companies may cease making OPIOID settlement payments at some point in the future for various reasons, the County considered a level of offset and recorded an allowance for payments that may not be received.

7. Inventories and Prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. If significant, the amount of inventory on hand at year end is reported on the balance sheet in the governmental funds. However, in the Government-wide Statement of Activities the cost of these inventories is expensed as the items are used. The Cabarrus Health Alliance maintains no inventory.

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

8. Capital Assets

Capital assets are defined by the government as assets with an initial, minimum individual cost of \$5,000 and an estimated useful life more than one year. Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets lives are not capitalized.

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Land improvements	15
Furniture and equipment	7
Reservoir	999
Vehicles and motorized equipment	7

Capital assets of the Cabarrus Health Alliance are depreciated over their useful live on a straight-line basis as follows:

<u>Assets</u>	<u>Years</u>
Office equipment	5
Computer equipment	5
Vehicles	5
Leasehold improvements	15

9. Right to Use Assets

The County has recorded right to use lease assets as a result of implementing GASB 87 and GASB 96. 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 assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The 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.

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

10. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has three items that meet this criterion – charges on debt refunding, pension and OPEB related deferrals. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet this criterion for this category – prepaid taxes, property tax receivable, ambulance receivable, unavailable Opioid revenues (reported only on the Balance Sheet of the Governmental Funds), other pension OPEB related deferrals, and lease receivable.

11. Long-Term Obligations

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

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

12. Compensated Absences

All permanent and probationary County and Cabarrus Health Alliance employees who are scheduled to work at least 1,000 hours during the calendar year receive vacation and sick leave benefits. The County's vacation policy allows for an unlimited accumulation of earned leave during the calendar year with a maximum of 240 hours (252 hours for 12-hour law enforcement personnel and 318 hours for fire fighter personnel) being carried over to January 1. Vacation exceeding 240 hours (252 hours for 12-hour law enforcement personnel and 318 hours for fire fighter personnel) is converted into sick leave after January 1st. Vacation leave is fully vested when earned. The County budgets and funds the current portion of accumulated vacation leave during each fiscal year. Vacation leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The County's and Cabarrus Health Alliance's sick leave policies also allow for unlimited accumulation of earned leave. Sick leave benefits do not vest but any unused leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. As there is not an obligation to pay sick leave until it is taken, no liability is recorded for these non-vested benefits.

13. Opioid Settlement Funds

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

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

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

As of June 30, 2023, the County has received \$1,393,979 as part of this settlement. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. As of June 30, 2023, the County had determined a spending strategy for \$210,000 of the total funds under Option A for recovery support services. The County expended \$70,000 as of June 30, 2023. The County had not determined a spending strategy for the balance of the funds and the funds are budgeted in an unallocated account. Cabarrus County is expected to receive a total of \$21,886,625.

OPIOID settlement funds were earned when the County entered into a settlement agreement. Since some companies may cease making OPIOID settlement payments at some point in the future for various reasons, the County considered a level of offset and recorded an allowance for payments that may not be received.

14. Reimbursements for Pandemic-related Expenditures

In Fiscal Year 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. Cabarrus County was awarded \$42,043,458 of fiscal recovery funds to be paid in two equal installments. The first installment of \$21,021,729 was received May 2021. The second installment \$21,027,729 was received June 2022. County staff and Board of Commissioners elected to support public health, mental health services, small businesses, non-profits and disproportionately impacted populations and communities. The County spent \$8,569,453 in fiscal year 2023. As of June 30, 2023, the County has spent \$24,244,140. This includes the \$10 million standard allowance for lost revenue and used for payroll and covered benefits expenses for public safety employees.

15. Net Position/Fund Balances

a. Net Position

Net position in government-wide and proprietary 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 and regulations of other governments or imposed by law through state statute.

b. 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.

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The governmental fund types classify fund balances as follows:

1. Non-spendable Fund Balance

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

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

Prepaid Items – portion of fund balance that is not an available resource because it represents the amount of payment of items that will be expensed in future fiscal years.

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

2. Restricted Fund Balance

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

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet. For June 30, 2023, \$6,534,872 was restricted to the General Fund, \$75,472,003 for County Capital Projects Fund, \$17,350,496 for the CARES Act Relief Fund, and \$2,191,068 for non-major funds.

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

Restricted for General Government – portion of fund balance restricted by revenue source to be used for general government debt service payments.

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Restricted for Emergency Telephone – portion of fund balance restricted for expenditures to enhance the state’s 911 system.

Restricted for Public Safety – portion of fund balance restricted by revenue source for unspent Federal Forfeiture Funds, Emergency Management Operations, State Criminal Alien Assistance Program, Animal Shelter Donations and support of the administration and activities of the inspection department.

Restricted for Community Development Programs – portion of fund balance restricted by revenue source for community development low-income housing projects.

Restricted for Soil & Water Programs – portion of fund balance restricted by revenue source for unspent Conservation Grant proceeds used for Soil and Water Land conservation projects.

Restricted for Economic and Physical Development – portion of fund balance restricted by revenue source for unspent grants.

Restricted for Social Services – portion of fund balance restricted by revenue source for various unspent grants.

Restricted for School Debt and Construction – portion of fund balance restricted by revenue source to be used for school debt service payments and construction.

Restricted for Cabarrus Arena & Events Center – portion of fund balance restricted by revenue source for use as an at-risk fund for the Cabarrus Arena and Events Center operations.

Restricted for Human Services – portion of fund balance restricted for unspent 4H Cannon Grant and funds received for Social Services Payees’.

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 as of June 30, 2023 by the amount of unspent debt proceeds of \$2,837 and Register of Deeds’ Pension Plan of \$489,903 for a net difference of \$487,066.

3. Committed Fund Balance

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

Committed for Community Investment Fund – portion of fund balance budgeted by the governing board to pay for future capital projects.

Committed for General Government – portion of fund balance budgeted by the governing board for ERP software upgrade and support for recruitment.

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Committed for Public Safety – portion of fund balance committed by the governing board by revenue source to pay for EMS vehicle and Sheriff radio expenses.

Committed for Economic & Physical Development – portion of fund balance committed by the governing board for economic development expenditures.

Committed for Human Services – portion of fund balance committed by the governing board for Department of Human Services projects.

Committed for Education – portion of fund balance committed by the governing board for planning, designing and construction of public schools. (don't delete, EXh3 updated)

Committed for Culture & Recreation – portion of fund balance committed by the governing board for building improvements at the arena.

4. Assigned Fund Balance

The County's governing body has the authority to assign fund balance. The Manager and Deputy County Manager, as granted in the officially adopted budget ordinance, have been granted limited authority to assign fund balance.

Assigned for General Government – portion of fund balance that is intended to be used for 1) property tax appeals 2) extraordinary circumstances 3) pending and potential claims and 4) uncompleted projects budgeted in subsequent years expenditures.

Assigned for Public Safety – portion of fund balance intended to be used for uncompleted Emergency Medical Services and Sheriff Department projects.

Assigned for Economic and Physical Development – portion of fund balance intended to be used for planning and soil and water projects.

Assigned for Culture and Recreation – portion of fund balance intended to be used for parks project.

5. Unassigned Fund Balance

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

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

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Cabarrus County has a Fund Balance Policy. On June 14, 2005 (revised March 15, 2010), the Board of Commissioners adopted a resolution formalizing the following fiscal management policies to be incorporated into the County's budget document beginning with the 2006 fiscal year:

1. Recurring, operational expenses of the County government will only be funded through recurring revenue sources.
2. The County will maintain an undesignated fund balance equal to 15% of General Fund expenditures; and
3. Upon the completion of the annual audit of the County finances, any undesignated fund balance above 15% will be transferred to the Community Investment Fund, to reduce reliance on debt financing; or to the Self-Funded Hospitalization Fund, the Self-Funded Liability Fund or the Self-Funded Workers' Compensation Fund as required to maintain the integrity of those funds.
4. Notwithstanding the requirements of items 1, 2, and 3 above, fund balance may be appropriated for any use in the General Fund to overcome revenue shortfalls related to significant downturns in the economy.

On June 18, 2019, the Board of Commissioners adopted a resolution formalizing the following fiscal management policies to be incorporated into the County's budget document beginning with the 2019 fiscal year:

If unassigned fund balance at the end of the current fiscal year is less than the approved fund balance level, the deficiency should be replenished in the coming fiscal years, not to exceed a total of three consecutive years.

CABARRUS COUNTY, NORTH CAROLINA
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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	\$ 199,011,542
Less:	
Inventories	500,998
Prepaid items	140,662
Leases	7,427
Stabilization by state statute	32,731,628
Restricted for debt payments	4,363,516
Restricted for Building Inspections	9,575,291
Committed for Community Investment Fund	46,834,275
Committed for unpaid tax incentives	5,728,489
Uncompleted FY23 projects	3,501,221
General Government assignments	6,158,727
Working Capital/Fund Balance policy	53,109,518
Fund balance remaining for appropriation	<u><u>\$ 36,359,790</u></u>

16. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple employers, defined benefit pension plans that are administered by the state: the Local Governmental Employees' Retirement System (LGERS) the Register 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 or resources related to pensions and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which 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 for all plans are reported at fair value.

E. Management Estimates

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

CABARRUS COUNTY, NORTH CAROLINA
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F. Other Resources

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

G. Comparative Data/Reclassifications

Comparative data for the prior years have been presented in the Management Discussion and Analysis report, the Notes to the Financial Statements and Statistical Tables in order to provide an understanding of the changes in the financial position and operations of the County. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 2. DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County’s and its component unit’s deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the County’s agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and its component units, these deposits are considered to be held by their agents in the entities’ names. The amount of pledged collateral is based on an approved averaging method for noninterest-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, its component units, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the County or its component units under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. Cabarrus 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 analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Cabarrus Health Alliance has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the carrying amount of the County’s bank deposits, including custodial fund, was \$43,317,355 and the bank balance was \$42,939,397. Of the bank balance, \$754,284 was covered by federal depository insurance, and \$42,185,113 was covered by collateral, held by authorized escrow agents in the name of the County, under the Pooling Method. At June 30, 2023, the County had \$9,110 cash on hand.

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At June 30, 2023, the carrying amount of the Cabarrus Health Alliance's bank deposits was \$1,888,623 and the bank balance was \$2,016,419. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2023, the Cabarrus Health Alliance had \$3,600 of cash on hand.

2. Investments

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

Investment Type	Valuation Measurement Method^{2,3}	Fair Value	Less Than 6 Months	6-12 Months	1-3 Years	4-5 Years
US Government Agencies	Fair Value-Level 2	\$ 137,245,946	\$ 9,761,233	\$ 49,790,500	\$ 61,492,843	\$ 16,201,370
US Treasuries	Fair Value-Level 1	39,269,817	9,874,778	9,751,267	19,643,772	-
Commercial Paper	Fair Value-Level 2	72,361,351	-	72,361,351	-	-
NC Capital Management Trust:						-
Government Portfolio ¹	Fair Value-Level 1	27,614,052	27,614,052	-	-	-
Total		\$ 276,491,166	\$ 47,250,063	\$ 131,903,118	\$ 81,136,615	\$ 16,201,370

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

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

Credit Risk. The County's investment policy limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2023, The County's investment in commercial paper were rated A-1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAam by Standard & Poor's and AAA-mf by Moody's Investor Service as of June 30, 2023. The County's investment in US Agencies (Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association) are rated Aaa and Federal Farm Credit Bank is rated AA+ by Moody's Investors Service.

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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 investments or collateral securities that are in the possession of an outside party. The County's formal 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. Certificated securities shall be in the custody of the designated investment officer.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, U.S agencies and authorized pools, Cabarrus County's investment policy does not allow for commercial paper investments in any one issuer in excess of 10% of the County's total investments. Twenty-six percent of the County's investments are held in commercial paper and fifty percent in governmental agencies. More than 5% of the County's investments are in Federal Farm Credit Bank securities and Federal Home Loan Bank securities. These investments are 14% and 31% respectively, of the County's total investments.

At June 30, 2023, the Cabarrus Health Alliance's investments consisted of \$7,514,231 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAA by Standard and Poor's. The Government portfolio's valuation measurement method is amortized cost. The Cabarrus Health Alliance does not have a formal policy regarding credit risk or interest rate risk.

3. OPEB Trust Fund

At June 30, 2023, the County's health Care Plan has \$4,074,775 invested in the North Carolina State Treasurer's Local Government Other Post-Employment (OPEB) Trust pursuant to G.S. 15-30.1. The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes. At year-end, the County's OPEB Trust was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 100%, which is reported as cash and cash equivalents.

Level of the Fair Value Hierarchy: Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs-other than quoted prices-included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2023, of 0.7 years.

Valuation Technique: North Carolina Department of State Treasurer OPEB Trust investments are measured using the market approach: using prices and other relevant information generated by marker transactions involving identical or comparable assets or group of assets.

Interest Rate Risk – The County does not have a formal investment interest rate policy for the OPEB Trust Fund that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's STIF is unrated and had a weighted average maturity of 0.7 years at June 30, 2023.

Credit Risk – The County does not have a formal investment policy regarding credit risk for the HCB Pan Fund. The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate term treasuries, agencies, and money market instruments.

CABARRUS COUNTY, NORTH CAROLINA
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4. Property Tax-Use-Value Assessment on Certain Lands

In accordance with North Carolina general statutes, agriculture, horticulture, and forestland may be taxed by the County at 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 accrued interest from the original due date. This tax is immediately due and payable. The amounts shown in the table 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
2020	\$ 6,472,653	\$ 1,537,255	\$ 8,009,908
2021	6,402,195	944,324	7,346,519
2022	6,439,195	370,254	6,809,449
2023	6,635,926	-	6,635,926
Total	<u>\$ 25,949,969</u>	<u>\$ 2,851,833</u>	<u>\$ 28,801,802</u>

5. Receivables

a. Government-wide Receivables

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

	Accounts	Customers	Lease Receivable	Due from other Governments	Taxes and Interest	Total
Governmental Activities:						
General	\$ 1,506,382	\$ 14,503,139	\$ 299,044	\$ 21,622,275	\$ 6,582,506	\$ 44,513,346
Other governmental	16,451,148	-	-	138,800	-	16,589,948
Total receivables	17,957,530	14,503,139	299,044	21,761,075	6,582,506	61,103,294
Allowance for doubtful accounts	-	(12,145,936)	-	-	(1,705,148)	(13,851,084)
Total-governmental activities	<u>\$ 17,957,530</u>	<u>\$ 2,357,203</u>	<u>\$ 299,044</u>	<u>\$ 21,761,075</u>	<u>\$ 4,877,358</u>	<u>\$ 47,252,210</u>
Business-type Activities:						
Landfill	<u>\$ -</u>	<u>\$ 17,110</u>	<u>\$ -</u>	<u>\$ 152,076</u>	<u>\$ -</u>	<u>\$ 169,186</u>

CABARRUS COUNTY, NORTH CAROLINA
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On July 01, 2021, the County entered in to a 72-month lease as Lessor for the use of AT&T Cell Tower Lease – 698 Walker Road. An initial lease receivable was recorded in the amount of \$131,352. As of June 30, 2023, the value of the lease receivable is \$89,183 and accrued interest receivable is \$23. The lessee is required to make monthly fixed payments of \$1,870. The lease has an interest rate of 0.3160%. The County recognized lease revenue of \$22,120 and \$320 interest revenue during the fiscal year. The lessee has 3 extension option(s), each for 60 months.

On July 01, 2021, the County entered in to a 42-month lease as Lessor for the use of Office Space – 715 Cabarrus Avenue – USDA. An initial lease receivable was recorded in the amount of \$112,379. As of June 30, 2023, the value of the lease receivable is \$48,555 and accrued interest receivable \$35. The lessee is required to make monthly fixed payments of \$2,717. The lease has an interest rate of 0.8930%. The County recognized lease revenue of \$32,011 and \$589 interest revenue during the fiscal year.

On July 01, 2021, the County entered in to a 37-month lease as Lessor for the use of Verizon Tower – 700 Walker Road. An initial lease receivable was recorded in the amount of \$82,671. As of June 30, 2023, the value of the lease receivable is \$30,661, and accrued interest receivable \$18. The lessee is required to make monthly fixed payments of \$2,200. The lease has an interest rate of 0.7268%. The County recognized lease revenue of \$26,074 and \$325 interest revenue during the fiscal year.

On July 01, 2021, the County entered in to a 76-month lease as Lessor for the use of Verizon Tower – Rockland Circle. An initial lease receivable was recorded in the amount of \$185,100. As of June 30, 2023, the value of the lease receivable is \$130,645, and accrued interest receivable \$110. The lessee is required to make monthly fixed payments of \$2,388. The lease has an interest rate of 1.2166%. The County recognized lease revenue of \$27,599 and \$1,772 interest revenue during the fiscal year. The lessee has 3 extension options(s), each for 60 months.

Fiscal Year	Principal and Interest Expected to Maturity		
	Lease Receivables		
	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 109,281	\$ 2,118	\$ 111,399
2025	72,394	1,305	73,699
2026	52,785	823	53,608
2027	53,855	377	54,232
2028	10,729	27	10,756
	<u>\$ 299,044</u>	<u>\$ 4,650</u>	<u>\$ 303,694</u>

CABARRUS COUNTY, NORTH CAROLINA
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Due from other governments that is owed to the County consists of the following:

	Governmental Activities	Business Type Activities
Local option sales tax	\$ 15,468,929	\$ -
NCVTS	3,202,880	-
Grants	392,065	-
Other	2,697,201	-
White goods	-	27,110
Solid waste disposal tax	-	13,859
Scrap tire tax	-	111,107
	<u>\$ 21,761,075</u>	<u>\$ 152,076</u>

Discretely Presented Component Unit CHA

Receivables at the government-wide level for the Cabarrus Health Alliance at June 30, 2023, were as follows:

	Accounts	Customers	Taxes	Total
Governmental Activities:				
General	\$ 3,935,398	\$ 611,381	\$ 157,652	\$ 4,704,431
Allowance for doubtful accounts	-	(218,032)	-	(218,032)
Total-governmental activities	<u>\$ 3,935,398</u>	<u>\$ 393,349</u>	<u>\$ 157,652</u>	<u>\$ 4,486,399</u>

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

6. Capital Assets

1. Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 26,334,716	\$ 1,549,500	\$ -	\$ 27,884,216
Construction in progress	97,464,350	47,244,307	(104,268,771)	40,439,886
Total capital assets not being depreciated	<u>123,799,066</u>	<u>48,793,807</u>	<u>(104,268,771)</u>	<u>68,324,102</u>
Capital assets being depreciated:				
Buildings	180,943,284	103,299,308	-	284,242,592
Building improvements	24,803,714	459,520	(134,790)	25,128,444
Equipment	22,834,292	1,734,013	(43,639)	24,524,666
Furniture and fixtures	1,477,815	498,726	-	1,976,541
Land improvements	13,235,924	-	-	13,235,924
Vehicles	18,826,213	2,997,491	(1,414,860)	20,408,844
Reservoir	21,743,730	-	-	21,743,730
Total capital assets being depreciated	<u>283,864,972</u>	<u>108,989,058</u>	<u>(1,593,289)</u>	<u>391,260,741</u>
Less accumulated depreciation for:				
Buildings	57,076,312	4,727,588	-	61,803,900
Building improvements	8,668,619	649,687	(34,300)	9,284,006
Equipment	20,425,709	1,198,097	(43,639)	21,580,167
Furniture and fixtures	1,404,918	172,552	-	1,577,470
Land improvements	8,167,734	544,810	-	8,712,544
Vehicles	12,520,720	2,024,047	(1,296,354)	13,248,413
Reservoir	565,903	21,766	-	587,669
Total accumulated depreciation	<u>108,829,915</u>	<u>9,338,547</u>	<u>(1,374,293)</u>	<u>116,794,169</u>
Total capital assets, being depreciated, net	<u>175,035,057</u>	<u>99,650,511</u>	<u>(218,996)</u>	<u>274,466,572</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being amortized:				
Right to use assets:				
Leased equipment	\$ 579,173	\$ -	\$ -	\$ 579,173
Leased buildings	5,302,740	-	-	5,302,740
IT subscriptions	-	1,167,915	-	1,167,915
	<u>5,881,913</u>	<u>1,167,915</u>	<u>-</u>	<u>7,049,828</u>
Less accumulated ammortization for:				
Right to use assets:				
Leased equipment	232,178	232,177	-	464,355
Leased buildings	893,665	893,664	-	1,787,329
IT subscriptions	-	338,677	-	338,677
Total accumulated amortization	<u>1,125,843</u>	<u>1,464,518</u>	<u>-</u>	<u>2,590,361</u>
Total right to use assets, net	<u>4,756,070</u>	<u>(296,603)</u>	<u>-</u>	<u>4,459,467</u>
Governmental and Internal Service Fund Capital Assets, net	<u>\$ 303,590,193</u>	<u>\$ 148,147,715</u>	<u>\$ (104,487,767)</u>	<u>\$ 347,250,141</u>

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

Governmental activities:	
General government	\$ 1,985,471
Public safety	5,936,291
Economic & physical development	42,028
Environmental protection development	75,607
Human services	1,420,999
Culture & recreation	1,342,669
Total depreciation expense - governmental & internal services activities	<u>\$ 10,803,065</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 490,447	\$ -	\$ -	\$ -	\$ 490,447
Total capital assets, not being depreciated	<u>490,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,447</u>
Capital assets, being depreciated:					
Land improvements	2,376,141	-	-	-	2,376,141
Vehicles	2,002,279	49,047	-	-	2,051,326
Equipment	303,336	10,028	(11,850)	-	301,514
Buildings	1,256,544	-	-	-	1,256,544
Total capital assets, being depreciated	<u>5,938,300</u>	<u>59,075</u>	<u>(11,850)</u>	<u>-</u>	<u>5,985,525</u>
Less accumulated depreciation for:					
Land improvements	1,459,651	31,742	-	-	1,491,393
Vehicles	1,925,136	13,764	-	-	1,938,900
Equipment	257,235	13,925	(11,850)	-	259,310
Buildings	502,279	31,414	-	-	533,693
Total accumulated depreciation	<u>4,144,301</u>	<u>90,845</u>	<u>(11,850)</u>	<u>-</u>	<u>4,223,296</u>
Total capital assets, being depreciated, net	<u>1,793,999</u>	<u>(31,770)</u>	<u>-</u>	<u>-</u>	<u>1,762,229</u>
Proprietary capital assets, net	<u>\$ 2,284,446</u>	<u>\$ (31,770)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,252,676</u>

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Construction Commitments

The government has active construction projects as of June 30, 2023. The projects include New School Construction (Multiple Schools Roof Replacements, R. Brown McAllister Elementary School), Renovations to Existing Courthouse, Frank Liske Park Barn Replacement, New Ems Headquarters Building, Mental Health Facility, Library and Senior Center, and New Operation Center Building. At year-end, the government's commitments with contractors are as follows:

	Spent-To-Date	Remaining Commitment
School new construction	\$ 25,392,319	\$ 26,190,306
Frank Liske Park Barn Replacement	4,703,215	1,076,043
EMS Headquarters	15,521,040	5,114,047
Operations Center Building	5,347,470	3,157,874
Mental Health Facility	505,039	35,092,515
Library & Senior Center	1,030,998	23,378,669
Existing Courthouse Renovation	654,835	29,121,913
	<u>\$ 53,154,916</u>	<u>\$ 123,131,367</u>

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and fixtures	\$ 391,287	\$ 6,226	\$ -	\$ 397,513
Vehicles	703,673	582,510	(16,592)	1,269,591
Equipment	1,412,062	140,160	(10,806)	1,541,416
Land improvements	618,927	-	-	618,927
Total capital assets being depreciated	<u>3,125,949</u>	<u>728,896</u>	<u>(27,398)</u>	<u>3,827,447</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation:				
Furniture and fixtures	381,097	9,471	-	390,568
Vehicles	453,110	126,468	(16,592)	562,986
Equipment	942,291	166,403	(10,806)	1,097,888
Land improvements	600,915	1,228	-	602,143
Total accumulated depreciation	<u>2,377,413</u>	<u>303,570</u>	<u>(27,398)</u>	<u>2,653,585</u>
 Total governmental activities, being depreciated (net)	 <u>748,536</u>	 <u>425,326</u>	 <u>-</u>	 <u>1,173,862</u>
 Capital assets, being amortized:				
Right to use assets:				
Leased equipment	14,416	157,878	-	172,294
Leased building	703,531	-	-	703,531
Total right to use assets	<u>717,947</u>	<u>157,878</u>	<u>-</u>	<u>875,825</u>
 Less accumulated amortization for:				
Leased equipment	2,703	22,924	-	25,627
Leased building	158,398	230,505	-	388,903
Total accumulated amortization	<u>161,101</u>	<u>253,429</u>	<u>-</u>	<u>414,530</u>
 Total capital assets being amortized, (net)	 <u>556,846</u>	 <u>(95,551)</u>	 <u>-</u>	 <u>461,295</u>
 Cabarrus Health Alliance capital assets, (net)	 <u>\$ 1,305,382</u>	 <u>\$ 329,775</u>	 <u>\$ -</u>	 <u>\$ 1,635,157</u>

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B. Liabilities

1. Payables

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

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:				
General	\$ 4,878,776	\$ 3,289,935	\$ 2,553,838	\$ 10,722,549
County Capital Projects	2,469,576	-	-	2,469,576
Cares Act Relief Fund	-	3,825	-	3,825
Other governmental	4,824,312	5,930	221,901	5,052,143
Total governmental activities	<u>\$ 12,172,664</u>	<u>\$ 3,299,690</u>	<u>\$ 2,775,739</u>	<u>\$ 18,248,093</u>
Business-type activities				
Landfill	<u>\$ 124,706</u>	<u>\$ 31,168</u>	<u>\$ -</u>	<u>\$ 155,874</u>

Payables at the government-wide level for the Cabarrus Health Alliance at June 30, 2023, were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Total</u>
Governmental Activities:			
General	<u>\$ 237,403</u>	<u>\$ 815,738</u>	<u>\$ 1,053,141</u>

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The

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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 LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in 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. Cabarrus County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. Cabarrus County's contractually required contribution rate for the year ended June 30, 2023, was 12.14% of compensation for law enforcement officers and 13.04% 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 Cabarrus County were \$8,561,899 for the year ended June 30, 2023.

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

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

At June 30, 2023, the County reported a liability of \$49,020,060 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

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proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the County's proportion was 0.869% (measured as of June 30, 2022), which was an increase of 0.0347% 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 \$14,164,082. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,112,230	\$ 207,092
Changes of assumptions	4,891,103	-
Net difference between projected and actual earnings on pension plan investments	16,201,643	-
Changes in proportion and differences between County contributions and proportionate share of contributions	505,078	-
County contributions subsequent to the measurement date	8,561,899	-
	<u>\$ 32,271,953</u>	<u>\$ 207,092</u>

\$8,561,899 reported as deferred outflows of resources related to pensions resulting from County's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 7,503,032
2025	6,341,143
2026	1,940,020
2027	7,718,767
2028	-
Thereafter	-
	<u>\$ 23,502,962</u>

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

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

The plan actuary currently uses mortality tables that vary by age, gender, employee group (i.e., general, 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 prepared as of December 31, 2019, and adopted by the Board of Trustees on January 28, 2021.

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

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

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

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The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022 and is part of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

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 percent, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
County's proportionate share of the net pension liability (asset)	<u>\$ 88,474,896</u>	<u>\$ 49,020,060</u>	<u>\$ 16,506,985</u>

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. Cabarrus County administers a public employee retirement system (the "Separation Allowance"); a single employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85 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.

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

Retirees receiving benefits	36
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	218
Total	<u>254</u>

A separate report was not issued for the plan.

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 following criteria which are outlined in GASB Statements 73.

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

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

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

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

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

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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 Disabled Retirees. Rates are Set Back 3 years for all ages.

Deaths Prior to Retirement: Mortality rates are based are based on the safety mortality for employees.

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 45, the Below-median Teachers Mortality Table for Employees is used for ages less than 45.

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 \$651,134 as benefits came due for the reporting period.

At June 30, 2023, the County reported a total pension liability of \$12,244,359. 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 \$1,594,532.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,672,541	\$ 3,324
Changes of assumptions	1,707,091	2,016,504
County benefit payments and plan administrative expenditures paid subsequent to the measurement date	336,903	-
Total	<u>\$ 3,716,535</u>	<u>\$ 2,019,828</u>

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The County paid \$336,903 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:

<u>Year Ending June 30</u>	<u>Amount</u>
2024	\$ 669,243
2025	611,721
2026	488,642
2027	(207,825)
2028	(201,977)
Total	<u>\$ 1,359,804</u>

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

	<u>1% Decrease (3.31%)</u>	<u>Discount Rate (4.31%)</u>	<u>1% Increase (5.31%)</u>
Total pension liability	<u>\$ 13,218,550</u>	<u>\$ 12,244,359</u>	<u>\$ 11,356,713</u>

	<u>Total Pension Liability</u>
Beginning balance	\$ 13,462,604
Service cost at end of year	601,608
Interest on the total pension liability	295,583
Difference between expected and actual experience in the measurement of the total pension liability	643,902
Changes of assumptions or other inputs	(2,108,204)
Benefit payments	(651,134)
Ending balance of the total pension liability	<u>\$ 12,244,359</u>

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Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25 percent at June 30, 2021 to 4.31 percent at June 30, 2022.

Changes in Benefit Terms. Reported compensation adjusted to reflect the assumed rate of pay as of the valuation date.

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

c. Supplemental Retirement Income Plan (401k)

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 and non-law enforcement employees of the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provision 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 law enforcement officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County has chosen to extend this benefit to all its full and part-time (who are eligible for North Carolina Local Governmental Employees' Retirement System) employees. Contributions by Cabarrus County for the year ended June 30, 2023 were \$5,254,798 which consisted of \$3,472,879 from the County and \$1,781,919 from the employees. Contributions for the year ended June 30, 2023 were \$562,044 from participating Alliance employees. The Alliance's Board reinstated the employer's contribution to this benefit. The Alliance matched up to 2% beginning July 1, 2021. The Alliance contributed \$200,491 to the plan for the year ended June 30, 2023. No amounts were forfeited.

The County offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue Code Section 457. The Plan available to all County employees permits 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.

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The County has complied with changes in the laws that govern the County's deferred compensation plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts, which had been deferred by the plan participants, were required to be reported as assets of the County. In accordance with GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the County's deferred compensation plan is no longer reported within the County's custodial funds.

d. Register of Deeds' Supplemental Pension Fund

Plan Description. Cabarrus County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. The 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 Register of Deeds' Supplemental Pension Fund is included in the Annual Comprehensive Financial Report for the state of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 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 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. Register 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 \$18,976 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 \$309,762 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based the County's share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2022, the County's proportion was 2.340%, which was an decrease of 0.36705% from its proportion measured as of June 30, 2021.

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For the year ended June 30, 2023, the County recognized pension expense of \$48,141. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,386	\$ 5,615
Changes of assumptions	16,401	-
Net difference between projected and actual earnings on pension plan investments	128,748	-
Changes in proportion and differences between County contributions and proportionate share of contributions	50,230	30,985
County Contributions subsequent to the measurement date	18,976	-
	<u>\$ 216,741</u>	<u>\$ 36,600</u>

\$18,976 reported as deferred outflows of resources related to pensions resulting from County's contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 32,289
2025	53,635
2026	42,861
2027	32,380
2028	-
Thereafter	-

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

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.0 percent, net of pension plan investment expense, including inflation

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

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

Future ad hoc cost of living adjustment 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 adopted asset allocation policy for the RODSPF is 99.9% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.1%.

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy study for the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. Return projections do not include any excess return expectations over benchmarks averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 3.00%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension asset is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all

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projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	<u>\$ (357,045)</u>	<u>\$ (309,762)</u>	<u>\$ (609,914)</u>

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

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

The net pension liability for LGERS and ROD was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability (asset) 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)	\$ 49,020,060	\$ (309,762)	\$ -	\$ 48,710,298
Proportion of the net pension liability (asset)	0.869%	2.340%	-	-
Total pension liability	-	-	12,244,359	12,244,359
Pension expense	14,164,082	48,141	1,594,532	15,806,755

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

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>TOTAL</u>
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 2,112,230	\$ 2,386	\$ 1,672,541	\$ 3,787,157
Change of assumptions	4,891,103	16,401	1,707,091	6,614,595
Net difference between projected and actual earnings on pension plan investments	16,201,643	128,748	-	16,330,391
Changes in proportion and differences between County contributions and proportionate share of contributions	505,078	50,230	-	555,308
County contributions (LGERS, ROD)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	8,561,899	18,976	336,903	8,917,778
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	207,092	5,615	3,324	216,031
Changes of assumptions	-	-	2,016,504	2,016,504
Changes in proportion and differences between County contributions and proportionate share of contributions	-	30,985	-	30,985

f. Other Postemployment Benefits (OPEB) – Healthcare Benefits Plan

Plan Description. The County administers a single employer defined benefit Healthcare Benefits Plan (the HCB Plan). The County Board of Commissioners has the authority to establish and amend the benefit terms and financing requirements. Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The HCB plan provides postemployment healthcare benefits to retirees of the County, provided they participate in the North Carolina Governmental Employee's Retirement System (System) and at the time of their retirement meet certain service requirements using the schedule below. In addition, retirees must work the last five years at Cabarrus County.

Hired before July 1, 1997:

Signed agreement to reduce vacation : 100%

Signed agreement not to reduce vacation and signed 2nd chance in 2021: 50%

Signed agreement not to reduce vacation and did not sign 2nd chance in 2021: 100%

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Hired on or after July 1, 1997, but before November 1, 2003:

Less than 10 years of service: 0%
 10 or more years of service: 100%

Hired on or after November 1, 2003, but before November 1, 2016:

Less than 25 years of service, but more than 10 years of service: 50%
 25 or more years of service: 100%

Hired on or after November 1, 2016:

Less than 25 years of service, but more than 15 years of service: 50%
 25 or more years of service: 100%

The Retirees receive the same benefits as active employees and the County's eligible retirees can purchase coverage for their dependents at the County's group rate. The County pays the full cost of coverage for the HCB plan. Coverage for all retirees will cease when the retiree becomes eligible for Medicare or reaches the age where they would have had such benefits had they qualified for Social Security, or upon the retiree's death, whichever comes first. The Cabarrus County Board of Commissioners may amend the benefit provisions. A separate report was not issued for the plan.

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

Inactive employees or beneficiaries currently receiving benefits	105
Inactive members entitled to but not yet receiving benefits	-
Active employees	<u>1,046</u>
Total membership	<u><u>1,151</u></u>

Contributions – The Board of Commissioners established the contribution requirements of plan members which may be amended by the Board. The County has chosen to fund the healthcare benefits on a pay as you go basis. During fiscal year 2023, a \$2,000,000 contribution was paid into the County's OPEB Trust. The irrevocable trust was established for the purpose of paying future post-employment benefits (OPEB) for which the County is liable. The Fiscal Year 2024 budget includes an additional \$2,000,000 contribution to be contributed onto the Trust Fund.

Summary of Significant Accounting Policies – Postemployment expenditures for the County's portion of the premiums and the prefunded benefits are made from the General Fund, which is maintained on the modified accrual basis of accounting to the Internal Service Fund. Funds are appropriated annually for the County's portion of the premiums and prefunded benefits. The employee, retiree and County premiums are revenues that finance the self-funded HCP reported in the Internal Service Funds. Claims benefits and administrative costs are expensed as they are incurred.

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Investments

Per the County's Trust agreement establishing Other Post-Employment Benefits Trust, the employer, and the Investment Advisory Committee, if any, shall have the responsibility to select Qualified Investments for the Trust Assets. The County's investment policy shall allow placement of assets in the OPEB investment fund managed by the State Treasurer's office, as authorized by the Board of Commissioners on June 21, 2021, in addition to investments authorized by NC General Statute 159-30. Placement of County contributions in State Treasurer's OPEB investment fund shall be at the discretion of the Board of Trustees, as shall be the allocation of assets within that fund. The HCB Plan's Trust has \$4,074,775 invested in the State Treasurer's Local Government Other Post-Employment Benefits Fund. The target allocation are based on the initial allocation approved:

Asset Class	Target Allocation 2023	Long-Term Expected Real Rate of Return 2023
Bond Index Fund	0.00%	N/A
Equity Index Fund	0.00%	N/A
Short Term Investment Fund	100.00%	3.65%
Total	<u>100.00%</u>	

Rate of Return – For the year ended June 30, 2023, the annual money weighted rate of return on investments, net of investment expense was 1.82 percent. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The components of the County's Net OPEB liability of the County at June 30, 2023, were as follows:

Total OPEB liability	\$ 39,967,487
Plan fiduciary net position	4,074,775
County's net OPEB liability	35,892,712
Plan fiduciary net position as a percentage of the total OPEB liability	10.20%

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

Annual Salary increases, including wage inflation:

Measurement date: 3.50%

Municipal Bond Index Rate:

Prior measurement date 3.54%

Measurement date 3.65%

Healthcare cost trend rates:

Pre-Medicare 7.5% decreasing to an ultimate rate of 5.00% by 2027+

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published by The Bond Buyer.

Mortality rates were based on the RP-2014 mortality table projected fully generationally using projection scale MP-2021.

Change in the Net OPEB liability, OPEB Expense, and Deferred Outflows of Recourses and Deferred Inflows of Resources Related to OPEB. At June 30, 2023, the County reported a net OPEB liability of \$35,892,712. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022 (updated as of June 30, 2023)

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At June 30, 2023, the components of the Net OPEB liability of the County, measured at June 30, 2023, were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2022	\$ 41,077,664	\$ 2,022,678	\$ 39,074,986
Changes for the year:			
Service cost at the end of the year	2,053,580	-	2,053,580
Interest	1,417,476	-	1,417,476
Difference between expected and actual experience	(3,943,785)	1,202	(3,944,987)
Contributions - employer	-	2,000,000	(3,453,623)
Projected investment income	-	70,895	(70,895)
Changes in assumptions	816,175	-	816,175
Benefit payments	(1,453,623)	-	-
Net changes	(1,110,177)	2,072,097	(3,182,274)
Balance as of June 30, 2023	\$ 39,967,487	\$ 4,094,775	\$ 35,892,712

Changes in Assumptions – Changes of assumptions and other inputs reflect a change in the discount rate of 3.54% in 2022 to 3.65% in 2023.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates. The following presents the total OPEB liability of the Plan, calculated using the health care cost trend rates, as well as what the Plan's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Health Care Cost Trend Rate Sensitivity		
	1% Decrease	Current Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 31,553,717	\$ 35,892,712	\$ 41,088,440

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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following exhibits present the TOL of the Plan, calculated using the discount rate of 3.65%, as well as what the Plan's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate Sensitivity			
	1% Decrease	Current	1% Increase
	(2.65%)	Discount Rate	(4.65%)
		(3.65%)	
Net OPEB liability	<u>\$ 40,414,156</u>	<u>\$ 35,892,712</u>	<u>\$ 31,968,528</u>

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

For the year ended June 30, 2023, the County recognized OPEB expense of \$1,233,787. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Difference between expected and actual experience	\$ 47,206	\$ 10,018,689
Changes of assumptions or other inputs	5,572,441	6,245,150
Net difference between projected and actual earnings on pension plan investments	-	2,567
Total	<u>\$ 5,619,647</u>	<u>\$ 16,266,406</u>

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

Measurement Period	
Ended June 30	Amount
2024	\$ (2,166,374)
2025	(2,166,374)
2026	(2,071,847)
2027	(1,829,588)
2028	(924,593)
Thereafter	(1,487,983)

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g. Other Employment Benefits

The County and the Cabarrus Health Alliance have elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employee's Retirement System (LGERS) (Death Benefit Plan), a state-administered plan funded on a one year-term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000.

The Alliance and the County have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan, the number of eligible participants is not determined.

For the years ended June 30, 2021, June 30, 2022, and June 30, 2023, the Alliance contributed .04% of annual covered payroll or \$6,304, \$6,364, and \$5,443 respectively.

Effective July 1, 2004, pursuant to a new IRS regulation regarding Group Life Insurance benefits, the County is now required to include the amount of group life insurance coverage that exceeds \$50,000 as a taxable fringe benefit. As a full-time employee participating in the NC Local Government Retirement System, an employee is eligible for a death benefit of \$25,000 to \$50,000 and an additional \$20,000 the County provides for all employees who have been employed for at least one year. If this combined life insurance coverage exceeds the \$50,000 limit, the excess amount is multiplied by a premium cost factor per \$1,000 based on age at December 31st provided by the IRS. This amount is then added to the employee's taxable wages.

3. Closure and Postclosure Care Costs - Cabarrus County Landfill Facility

Federal and state laws and regulations require Cabarrus County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs are typically paid near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$4,101,973 reported as landfill closure and post closure care liability at June 30, 2023, represents a cumulative amount reported to date, based on the use of 100% of the combined Municipal Solid Waste (MSW) and Construction and Demolition (C&D) cell and 73.6% of a (C&D) only cell. The updated percent use of C&D cell decreased due to a recent expansion that opened in December 2021. This amount is based on what it would cost to perform all closure and post closure care in 2023. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County's liability is set aside for the closure and post closure of the following:

- The Municipal Solid Waste (MSW) reached capacity in 1997 and was covered in 1998.
- An expansion area that sits on the top of the MSW site was added in 1998 to accept construction and demolition waste (C&D). This expansion area has reached capacity and was closed in FY 2011.
- An additional C&D expansion area was opened in Fiscal Year 2006 and is expected to reach full capacity in FY 2028.

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Cabarrus County has met the requirements of the local government financial assurance test that is one option under state and federal laws and regulations that aids in determining if a unit is secure and financially able to meet the necessary closure and post closure care requirements as of each balance sheet date. Governments that utilize the local government financial assurance test allow them to remain exempt from a set contribution schedule.

4. Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Charge on refunding of debt	\$ 8,247,602	\$ -
(Pensions, OPEB) - difference between expected and actual experience	3,834,363	10,234,720
(Pensions, OPEB) - change of assumptions	12,187,036	8,261,654
(Pensions, OPEB) - Net difference between projected and actual investment earnings	16,330,391	2,567
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	555,308	30,985
Contributions to pension plan subsequent to measurement date (LGERS, ROD)	8,580,875	-
Benefit payment administrative costs paid subsequent to the measurement date (LEOSSA)	336,903	-
Lease receivable	-	299,044
Prepaid taxes not yet earned	-	862,398
Government-wide deferred outflows and inflows of resources	50,072,478	19,691,368
Taxes receivable, net (General)	-	1,697,924
Ambulance receivable, net (General)	-	2,357,204
OPIOID Settlement receivable, (net)	-	16,394,116
Total	<u>\$ 50,072,478</u>	<u>\$ 40,140,612</u>

5. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County participates in a property liability program, which is financed by using a combination of self-funding and purchase excess insurance coverage through Arthur J. Gallagher & Co. A property liability insurance fund was established to track all financial transactions related to this program. The County retains the first \$350,000 in liability insurance. Above the \$350,000 retention is purchased up to a total limit of \$3,000,000 per occurrence and 6,000,000 aggregate.

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The property insurance program is financed using a combination of self-funding and insurance purchased through Liberty Mutual Insurance. Excess property insurance above a \$25,000 deductible is purchased based on estimated replacement values submitted to the Excess Property Company each year. Special deductibles apply for certain perils such as flood, earth movement, boiler, machinery, and the Stough Road location.

The County purchases primary policies for Emergency Medical Services (EMS). The policies provide coverage for physical damage to EMS units, equipment, and automobiles, general and medical professional liability. Fidelity exposures are covered through the purchase of bonds. Arthur J. Gallagher secures the purchase of these bonds on behalf of the County.

The Workers Compensation insurance program is financed using a combination of self-funding and purchasing excess insurance through Arthur J. Gallagher. A Workers Compensation fund was established to track all the financial claims in excess of this program. The County has purchased excess Workers Compensation insurance for claims in excess of that amount. The self-insured retention for Workers Compensation is as follows: \$600,000 per occurrence for Police & Drivers, Firefighters, and EMS (EMS occurrences resulting in an injury to any employee in, upon, entering, or alighting from any employer owned or non-owned ambulance) and \$500,000 for all other occurrences. The County has \$750,000 self-insured retention for any Presumptive Losses.

The County has also purchased Cyber Liability coverage through Arthur J. Gallagher (Cowbell Cyber Insurance Company) with a \$5,000,000 limit and a basis retention of \$100,000.

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 a commercial surety bond. The Director of Finance is individually bonded for \$1,000,000. The Tax Collector is individually bonded for \$250,000. The Deputy Finance Director and Human Resources Director are each individually bonded for \$100,000 each. The Register of Deeds is bonded for \$50,000. The Sheriff is bonded for \$25,000. The remaining employees that have access to funds are bonded under a blanket bond for \$200,000.

The County carries commercial coverage for all other risks of loss including flood loss. Flood coverage is an annual limit not to exceed \$25,000,000. There have been no significant reductions in insurance coverage from previous year and settled claims have not exceeded coverage in any of the past five fiscal years.

Insurance coverage for the Alliance is through Westfield and Wester Insurance Services. The Alliance pays a premium for coverage of worker's compensation, general liability, property, automotive, and professional liability insurance coverage. The Alliance is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Alliance carries commercial coverage for all other risks of loss. Fiscal year ended June 30, 1998, was the initial year of operations. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in 2021, 2022 and 2023.

In accordance with G.S. 159-29, the Alliance's employees that have access to \$100 or more at any given time of the Alliance's funds are performance bonded through a commercial surety bond. Employees that have access to funds are bonded under a blanket bond for \$250,000. The Finance Director is individually bonded for \$1,000,000.

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A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The current claims liability for fiscal year ended June 30, 2023, is shown.

	<u>6/30/2022</u>	<u>6/30/2023</u>
Unpaid claims, beginning of fiscal year	\$ 553,554	\$ 599,285
Incurred claims	1,730,680	1,906,623
Claims payments	<u>(1,684,949)</u>	<u>(2,075,105)</u>
Unpaid claims, end of fiscal year	<u>599,285</u>	<u>430,803</u>

On July 1, 2004, the County chose to establish a Self-Insured Health Insurance Fund (an internal service fund) for risk associated with the health insurance plan. The Health Insurance Fund is where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees, eligible part-time employees based on ACA, plus this benefit is also offered to retired employees who meet specific criteria. The total charge to each fund is based on actual calculated cost which includes but is not limited to fixed cost, mature claim cost, expected monthly liability and the number of projected employees who will be covered by insurance.

The uninsured risk retention per claim is \$200,000 with an aggregate stop loss of 125%. This coverage is for claims incurred and paid in 12 months. The benefits covered are Medical MH/SA Pharmacy and Vision.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The current claims liability for fiscal year ended June 30, 2023 is shown.

	<u>6/30/2022</u>	<u>6/30/2023</u>
Unpaid claims, beginning of fiscal year	\$ 1,065,000	\$ 1,090,000
Incurred claims	15,473,845	13,638,981
Claims payments	<u>(15,448,845)</u>	<u>(13,664,981)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,090,000</u>	<u>\$ 1,064,000</u>

6. Contingent Liabilities

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. 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.

As of June 30, 2023, the County was a defendant in several lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of counsel for the County that resolution of these matters will not have a material adverse impact on the financial condition of the County.

CABARRUS COUNTY, NORTH CAROLINA
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7. Long-Term Obligations

a. 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.

On July 01, 2021, Cabarrus County, NC entered in to a 31-month lease as Lessee for the use of Storage Contract for HPE Equipment - HP Switches. An initial lease liability was recorded in the amount of \$311,642. As of June 30, 2023, the value of the lease liability is \$70,878. Cabarrus County is required to make monthly fixed payments of \$10,150.00. The lease has an interest rate of 0.7268%. The County has recorded a right to use asset with a net book value of \$77,423 at June 30, 2023.

On July 01, 2021, Cabarrus County, NC entered in to a 71-month lease as Lessee for the use of Kannapolis Land - 1303 S. Canon Blvd. An initial lease liability was recorded in the amount of \$5,179,441. As of June 30, 2023, the value of the lease liability is \$3,557,950. Cabarrus County is required to make monthly fixed payments of \$76,180. The lease has an interest rate of 0.3160%. The County has recorded a right to use asset with a net book value of \$3,428,644 at June 30, 2023. Cabarrus County has 1 extension option(s), each for 60 months.

On July 01, 2021, Cabarrus County, NC entered in to a 27-month lease as Lessee for the use of Equipment - Canon Copier - TIAA. An initial lease liability was recorded in the amount of \$267,532. As of June 30, 2023, the value of the lease liability is \$38,399. Cabarrus County is required to make monthly fixed payments of \$14,355. The lease has an interest rate of 0.5135%. The County has recorded a right to use asset with a net book value of \$37,397 as of June 30, 2023.

On July 01, 2021, Cabarrus County, NC entered in to an 81-month lease as Lessee for the use of Suite #180 and Closet #7 - The Old Creamery. An initial lease liability was recorded in the amount of \$123,298. As of June 30, 2023, the value of the lease liability is \$90,038. Cabarrus County is required to make monthly fixed payments of \$1,550. The lease has an interest rate of 1.3746%. The County has recorded a right to use asset with a net book value of \$86,765.

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 1,031,097	\$ 11,275	\$ 1,042,372
2025	925,396	7,954	933,350
2026	929,002	4,827	933,829
2027	856,460	1,681	858,141
2028	15,310	88	15,398
	<u>\$ 3,757,265</u>	<u>\$ 25,825</u>	<u>\$ 3,783,090</u>

CABARRUS COUNTY, NORTH CAROLINA
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b. Subscriptions

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

On July 01, 2022, Cabarrus County, NC entered into a 25-month subscription for the use of Accela Software. An initial subscription liability was recorded in the amount of \$410,298. As of June 30, 2023, the value of the subscription liability is \$206,473. Cabarrus County, NC is required to make annual fixed payments of \$204,517. The subscription has an interest rate of 2.0240%. The value of the right to use asset as of June 30, 2023, is \$213,355.

On July 01, 2022, Cabarrus County, NC entered into a 78-month subscription for the use of Sirsidynix Products. An initial subscription liability was recorded in the amount of \$487,209. As of June 30, 2023, the value of the subscription liability is \$410,646. Cabarrus County, NC is required to make annual fixed payments of \$83,987. The subscription has an interest rate of 2.6630%. The value of the right to use asset as of June 30, 2023, is \$413,077.

On July 01, 2022, Cabarrus County, NC entered into a 48-month subscription for the use of OpenGov - Software Services. An initial subscription liability was recorded in the amount of \$270,408. As of June 30, 2023, the value of the subscription liability is \$200,508. Cabarrus County, NC is required to make annual fixed payments of \$69,900.00. The subscription has an interest rate of 2.2750%. The value of the right to use asset as of June 30, 2023, is \$202,806.

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

Year Ending June 30	Principal Payments	Interest Payments	Total
2024	\$ 346,450	\$ 19,676	\$ 366,126
2025	145,087	12,023	157,110
2026	150,343	8,419	158,762
2027	85,871	4,680	90,551
2028	89,876	2,393	92,269
	<u>\$ 817,627</u>	<u>\$ 47,191</u>	<u>\$ 864,818</u>

CABARRUS COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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c. General Obligation Indebtedness

General obligation bonds are issued to provide funding for the construction of capital facilities used for general government activities. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements are provided by appropriation in the year in which they become due.

General Obligation Advance Refunding Bonds (2013) refunded a portion of the 2005 and 2006 General Obligation Bonds. These bonds (2005 and 2006) consisted of the construction of Hickory Ridge High School, W. R. Odell Elementary School, Charles E. Boger Elementary School, Carl A. Furr Elementary School, Building 3000 at Rowan Cabarrus Community College, along with various renovations and additions.

General Obligation Advance Refunding Bonds (2020) refunded a portion of the 2013 General Obligation Bonds. As a result, a portion of the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$660,00. The amount is netted against the new debt and amortized over the life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over six years by \$249,950.

The County's general obligation bonds payable at June 30, 2023, is comprised of the following individual issues serviced by the County's General Fund:

\$62,360,000 (2013) Advance Refunding Bonds due on March 1 and September 1 in installments through March 1, 2027; interest at 1.5 to 5.0 percent.	\$ 12,580,000
\$6,800,000 (2020) Advance Refunding Bonds due on March 1 and September 1 in installments through March 1, 2027; interest at 1.6 percent	<u>6,560,000</u>
Total	<u><u>\$ 19,140,000</u></u>

CABARRUS COUNTY, NORTH CAROLINA
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For Cabarrus County, the annual debt service payments to maturity as of June 30, 2023, for the County's general obligation bonds are as follows:

Year Ending, June 30	Governmental Activities	
	Principal	Interest
2024	\$ 6,620,000	\$ 532,140
2025	6,255,000	303,485
2026	3,385,000	87,710
2027	2,880,000	40,320
	<u>\$ 19,140,000</u>	<u>\$ 963,655</u>

d. Certificates of Participation/Limited Obligation Bonds

1. Public Offered Debt

On April 14, 2011, the Cabarrus County Development Corporation issued \$14,635,000 (2011A) certificates of Participation (COPS) contracts to fund the rehabilitating, repairing, and equipping of approximately eighteen Cabarrus County and six Kannapolis City school facilities. These 15-year COPS are financed under two bullets using Qualified School Construction Bonds. The first bullet, in the amount of \$7,200,000, matured in 2023, with an interest rate of 5.10%, and the second bullet, for \$7,435,000, will mature in 2026 with an interest rate of 5.50%. The Federal subsidy rate on the deal was a 5.43%. The second bullet will have a net interest cost to the County of 0.07%, while the County will have no interest cost on the first bullet. The principal on this debt is deferred for five years with the first principal payment due on April 1, 2016. The principal payments will be held in an interest-bearing sinking fund until the bullet payments are due. Debt Service is financed by Cabarrus County property tax revenues. Total remaining annual payments of principal and interest are approximately \$1,743,925. Total principal and interest over a 15-year period will be \$25,147,248 less the federal subsidy of \$10,434,369, with the net cost to the County of \$14,712,879. In fiscal year 2013, the Federal Government began reducing the subsidy payment by approximately 7.6% for a Federal sequestration. At June 30, 2023, the County's trustee held principal payments of \$3,440,000 in a sinking fund; the total principal balance due at June 30, 2023, is \$7,435,000.

The site of Winecoff Elementary School was pledged as collateral for the 2011A COPS. The Installment Financing Contract (the "2011A Contract") and the Trust Indenture relating to the 2011A COPS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2011A COPS. After an event of default, the collateral securing the 2011A COPS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2011A COPS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2011A Contract. The remedies afforded to the owners of the 2011A COPS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2011A COPS.

CABARRUS COUNTY, NORTH CAROLINA
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On March 10, 2016, the Cabarrus County Development Corporation issued \$73,785,000 (2016) Limited Obligation Bonds (LOBS) contracts for the construction of Mount Pleasant Middle School, Kannapolis Middle School, and Royal Oaks Elementary School. These 20-year LOBS have interest rates ranging from 2.00% to 5.00%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 20-year period will be \$108,697,900. Annual principal and interest payments range from \$3,804,763 to \$5,876,163. The total principal balance due at June 30, 2023, is \$47,965,000.

The site of Kannapolis Middle School (additional land) was pledged as collateral for the 2016 LOBS. The Installment Financing Contract (the “2016 Contract”) and the Trust Indenture relating to the 2016 LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2016 LOBS. After an event of default, the collateral securing the 2016 LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2016 LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2016 Contract. The remedies afforded to the owners of the 2016 LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2016 LOBS.

On November 9, 2017, the Cabarrus County Development Corporation issued \$70,820,000 (2017) Limited Obligation Bonds (LOBS) contracts for the construction of Performance Learning Center, Western Cabarrus High School, and Downtown Concord Parking Deck. These 20-year LOBS have interest rates ranging from 3.00% to 5.00%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 20-year period will be \$99,771,165. Annual principal and interest payments range from \$3,484,688 to \$5,870,375. The total principal balance due at June 30, 2023, is \$47,745,000.

The site of West Cabarrus High School was pledged as collateral for the 2017 LOBS. The Installment Financing Contract (the “2017 Contract”) and the Trust Indenture relating to the 2017 LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2017 LOBS. After an event of default, the collateral securing the 2017 LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2017 LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2017 Contract. The remedies afforded to the owners of the 2017 LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2017 LOBS.

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For Cabarrus County, the annual debt service payments to maturity as of June 30, 2023, for the County's Public Offered Certificates of Participation/Limited Obligation Bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 7,535,000	\$ 4,620,463
2025	7,070,000	4,318,713
2026	14,505,000	3,965,213
2027	7,070,000	3,202,788
2028	7,070,000	2,849,288
2029-2033	35,330,000	9,160,538
2034-2038	24,565,000	2,085,601
	<u>\$ 103,145,000</u>	<u>\$ 30,202,604</u>

2. Direct Borrowing Debt

On March 26, 2015, the Cabarrus County Development Corporation issued \$18,045,000 (2015A) Limited Obligation Bonds (LOBS) contracts to refund \$16,795,000 of the 2007 COPS issued for the construction of a sheriff administration facility. These 12-year LOBS have an interest rate of 2.38%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 12-year period will be \$21,057,440. Total remaining annual payments of principal and interest range from approximately \$1,617,604 to \$1,861,366. The total principal balance due at June 30, 2023, is \$6,570,000.

The site of the sheriff administration facility was pledged as collateral for the 2015A LOBS. The Installment Financing Contract (the "2015A Contract") and the Trust Indenture relating to the 2015A LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2015A LOBS. After an event of default, the collateral securing the 2015A LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2015A LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2015A Contract. The remedies afforded to the owners of the 2015A LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2015A LOBS.

On March 26, 2015, the Cabarrus County Development Corporation issued \$23,460,000 (2015B) Limited Obligation Bonds (LOBS) contracts to refund \$21,105,000 of the 2008A COPS issued to finance the construction of Cox Mill High School and Engineering and Architect fees for A.T. Allen Elementary School, Hickory Ridge Middle School, Patriots Elementary School, and a wing addition at A.L. Brown High School. These 13-year LOBS have an interest rate of 2.49%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 13-year period will be \$28,404,338. Total remaining annual payments of principal and interest range from approximately \$2,341,897 to \$2,781,435. The total principal balance due at June 30, 2023, is \$11,905,000.

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The site of the Cox Mill High School facility was pledged as collateral for the 2015B LOBS. The Installment Financing Contract (the “2015B Contract”) and the Trust Indenture relating to the 2015B LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2015B LOBS. After an event of default, the collateral securing the 2015B LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2015B LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2015B Contract. The remedies afforded to the owners of the 2015B LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2015B LOBS.

On March 26, 2015, the Cabarrus County Development Corporation issued \$38,295,000 (2015C) Limited Obligation Bonds (LOBS) contracts to refund \$34,025,000 of the 2008C COPS issued to fund the cost of construction of a residential tower to house County inmates and related improvements. These 14-year LOBS have an interest rate of 2.51%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 14-year period will be \$46,368,088. The total remaining annual payments of principal and interest range from approximately \$3,013,794 to \$3,818,888. The total principal balance due at June 30, 2023, is \$18,880,000.

The site of the jail housing unit facility was pledged as collateral for the 2015C LOBS. The Installment Financing Contract (the “2015C Contract”) and the Trust Indenture relating to the 2015C LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2015C LOBS. After an event of default, the collateral securing the 2015C LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2015C LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2015C Contract. The remedies afforded to the owners of the 2015C LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2015C LOBS.

On March 26, 2015, the Cabarrus County Development Corporation issued \$54,435,000 (2015D) Limited Obligation Bonds (LOBS) contracts to refund \$47,300,000 of the 2009 COPS issued a) to pay a portion of the costs of (i) acquiring real property, (ii) constructing Patriots Elementary School, A.T. Allen Elementary School, Hickory Ridge Middle School, Harold E. Winkler Middle School, a wing addition, and renovation at A.L. Brown High School and equipping the Facilities. These 14-year LOBS have an interest rate of 2.52%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 14-year period will be \$66,336,892. Total remaining annual payments of principal and interest range from approximately \$4,772,306 to \$5,902,896. The total principal balance due at June 30, 2023, is \$29,480,000.

The sites of Patriots Elementary School, Hickory Ridge Middle School, AT Allen Elementary School and Winkler Middle School were pledged as collateral for the 2015D LOBS. The Installment Financing Contract (the “2015D Contract”) and the Trust Indenture relating to the 2015D LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2015D LOBS. After an event of default, the collateral securing the 2015D LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2015D LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2015D Contract. The remedies afforded to the owners of the 2015D LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2015D LOBS.

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On May 16, 2018, the Cabarrus County Development Corporation issued \$54,680,000 (2018) Limited Obligation Bonds (LOBS) contracts for the construction of Advanced Technology Center, New Elementary School, replacement of HVAC systems at J.N. Fries Middle School and Mount Pleasant High School, 20 school mobile units, and land for Rowan Cabarrus Community College. These 20-year LOBS have an interest rate of 3.05%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 20-year period will be \$70,563,129. Annual principal and interest payments range from \$2,241,338 to \$4,456,015. The total principal balance due at June 30, 2023, is \$38,230,000.

The site of Hickory Ridge Elementary School was pledged as collateral for the 2018 LOBS. The Installment Financing Contract (the “2018 Contract”) and the Trust Indenture relating to the 2018 LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2018 LOBS. After an event of default, the collateral securing the 2018 LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2018 LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2018 Contract. The remedies afforded to the owners of the 2018 LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2018 LOBS.

On February 27, 2020, the County entered into a direct borrowing agreement (the “2020A Contract”) with Cabarrus County Development Corporation providing for a 3-year draw program allowing the County to borrow up to \$130,000,000 as needed for the construction of the new courthouse, new middle school, land for high and middle school, skylight and roof replacement and athletic turf fields. Principal is due in a lump sum at the end of the 3-year term and interest is paid monthly at a variable rate.

On June 1, 2022, the Cabarrus County Development Corporation issued \$96,825,000 (2022A) Limited Obligation Refunding Bonds (LOBS) to refund the \$105,672,677 outstanding principal balance of the 2020A Contract on June 1, 2022. As of June 30, 2023, the County has no outstanding liability with respect to the 2020A Contract.

On July 16, 2020, the Cabarrus County Development Corporation issued \$6,230,000 (2020B) Limited Obligation Bonds (LOBS) contracts to refund \$7,820,000 (2011C) LOBS which funded the cost of acquiring real property, construction and equipping of Bethel Elementary School, Pitts Road Elementary, Kannapolis Middle School, expansion of two existing elementary school facilities and various real and personal property improvements. These 4-year LOBS have an interest rate of 1.15%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a the 4-year period will be \$6,372,140. Total remaining annual payments of principal and interest is approximately \$2,043,230. The total principal balance due at June 30, 2023, is \$2,020,000.

The sites of Kannapolis Middle School (original land), Bethel Elementary School, Shady Brook Elementary School, Fred L. Wilson Elementary School, and Pitts Road Elementary School were pledged as collateral for the 2020B LOBS. The Installment Financing Contract (the “2020B Contract”) and the Trust Indenture relating to the 2020B LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2020B LOBS. After an event of default, the collateral securing the 2020B LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2020B LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2020B Contract. The remedies afforded to the owners of the 2020B LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2020B LOBS.

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On June 1, 2022, the Cabarrus County Development Corporation issued \$96,825,000 (2022A) Limited Obligation Refunding Bonds (LOBS) to refund the \$105,672,677 outstanding principal balance of the 2020A Contract on June 1, 2022. These 20-year LOBS all bear interest at 5.00%. Debt Service is financed by Cabarrus County property tax revenues. Total principal and interest over a 20-year period will be \$147,648,750. Annual principal and interest payments range from \$5,082,000 to \$9,444,000. The total principal balance due at June 30, 2023, is \$91,980,000.

The site of Roberta Road Middle School was pledged as collateral for the 2022A LOBS. The Installment Financing Contract (the “2022A Contract”) and the Trust Indenture relating to the 2022A LOBS have numerous events of default specified therein. An occurrence of an event of default under either could result in an acceleration of the then outstanding 2022A LOBS. After an event of default, the collateral securing the 2022A LOBS can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2022A LOBS. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2022A Contract. The remedies afforded to the owners of the 2022A LOBS after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2022A LOBS.

On June 8, 2022, the County entered into a direct borrowing agreement (the “2022B Contract”) with Cabarrus County Development Corporation providing for a 3-year draw program allowing the County to borrow up to \$160,000,000 as needed for the construction of the new courthouse, Roberta Road Middle School, a new middle school and high school, a new replacement elementary school, a new EMS headquarters, a new public library/senior center, a new emergency equipment and information technology warehouse, a new radio tower, a new public park, land for a new regional public park, improvements to Frank Liske Park, parking improvements at Mt. Pleasant High School and roof replacements at various public schools. Principal is due in a lump sum at the end of the 3-year term and interest is paid monthly at a variable rate. As of June 30, 2023, the County has an outstanding liability of \$75,189,171.

In FY 2025, the County intends to draw the available funds and to liquidate the entire debt using the proceeds from a new permanent financing.

For Cabarrus County, the annual debt service payments to maturity as of June 30, 2023, for the County’s Certificates of Participation/Limited Obligation Bonds are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 98,039,171	\$ 7,457,830
2025	20,570,000	6,775,558
2026	20,295,000	6,122,987
2027	20,015,000	5,477,261
2028	18,200,000	4,838,512
2029-2033	42,695,000	17,367,650
2034-2038	35,080,000	9,465,216
2039-2043	19,360,000	2,420,000
	<u>\$ 274,254,171</u>	<u>\$ 59,925,014</u>

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

e. Installment Financing

On December 18, 2008, the County financed the acquisition of land for the Rob Wallace Park with a down payment of \$190,000 at an effective interest rate of 4.00%. In May 2016, the County sold 40.6 acres of this property. Annual payments of \$190,000 will be made on the lease through December 2037. The County's outstanding liability at June 30, 2023, was \$2,112,493.

The site of the park was pledged as collateral for the 2008 Agreement. The Installment Purchasing Agreement (the "2008 Agreement") relating to the 2008 Agreement has numerous events of default specified therein. An occurrence of an event of default could result in an acceleration of the then outstanding amount of the 2008 Agreement. After an event of default, the collateral securing the 2008 Agreement can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2008 Agreement. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2008 Agreement. The remedies afforded to the owners of the 2008 Agreement after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2008 Agreement.

On August 15, 2018, the County financed the acquisition of equipment for the Emergency Medical Services Department at an effective interest rate of 1.65%. Annual payments of \$115,191 will be made for six years. The outstanding liability at June 30, 2023, was \$113,313.

The equipment was pledged as collateral for the 2018 Lease. The Lease has numerous events of default specified therein. An occurrence of an event of default could result in an acceleration of the then outstanding amount of the 2018 Lease. After an event of default, the collateral securing the 2018 Lease can be foreclosed upon, sold in a foreclosure sale and the foreclosure proceeds applied to the payment of the amounts due to the owners of the 2018 Lease. However, under current North Carolina law, no deficiency judgment may be rendered against the County for breach of any obligation under the 2018 Lease. The remedies afforded to the owners of the 2018 Lease after an event of default are limited to those of a secured party under the laws of the state of North Carolina, including foreclosing on the collateral securing the 2018 Lease.

For Cabarrus County, the annual debt service payments to maturity as of June 30, 2023, for the County's installment financing are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 218,813	\$ 84,500
2025	109,720	80,280
2026	114,109	75,891
2027	118,673	71,327
2028	123,420	66,580
2029-2033	695,223	254,776
2034-2038	845,848	104,154
2039-2043	-	-
	<u>\$ 2,225,806</u>	<u>\$ 737,508</u>

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

Debt Related to Capital Activities – Of the total Governmental Activities debt listed, only \$165,806,871 relates to assets for which the County holds title.

f. Long-Term Obligation Activity

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

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 25,735,000	\$ -	\$ 6,595,000	\$ 19,140,000	\$ 6,620,000
Plus: Premiums on issuance	3,744,041	-	761,500	2,982,541	-
Total General Obligation Bonds	29,479,041	-	7,356,500	22,122,541	6,620,000
Certificates of Participation/ Limited Obligation Bonds	117,880,000	-	14,735,000	103,145,000	7,535,000
Direct borrowings and direct placements	235,454,654	61,969,517	23,170,000	274,254,171	98,039,171
Plus: Premiums on issuance	24,164,343	-	1,722,983	22,441,360	-
Total Certificates of Participation/ Limited Obligation Bonds	377,498,997	61,969,517	39,627,983	399,840,531	105,574,171
Leases	4,911,157	-	1,153,892	3,757,265	1,031,097
IT Subscriptions	-	1,167,916	350,289	817,627	346,450
Installment financing	2,438,718	-	212,912	2,225,806	218,813
Compensated absences	5,783,336	5,045,715	4,490,220	6,338,831	4,754,123
Net Pension liability (LGBERS)	12,744,949	36,088,835	-	48,833,784	-
Total Pension liability (LEOSSA)	13,462,604	-	1,218,245	12,244,359	-
Net OPEB liability	38,926,501	-	3,170,181	35,756,320	-
Total governmental activities	\$ 485,245,303	\$ 104,271,983	\$ 57,580,222	\$ 531,937,064	\$ 118,544,654

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

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>	<u>One Year</u>
Business-type activities					
Compensated absences	\$ 15,787	\$ 18,865	\$ 20,987	\$ 13,665	\$ 10,249
Net pension liability (LGERS)	48,616	137,660	-	186,276	-
Net OPEB liability	148,485	-	12,093	136,392	-
Landfill closure/post-closure	3,565,878	623,260	87,165	4,101,973	90,000
Total business-type activities	<u>\$ 3,778,766</u>	<u>\$ 779,785</u>	<u>\$ 120,245</u>	<u>\$ 4,438,306</u>	<u>\$ 100,249</u>

	<u>Balance July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Discretely presented component unit:					
Compensated absences	\$ 999,045	\$ 1,028,642	\$ 954,262	\$ 1,073,425	\$ 1,051,957
Net pension liability	2,920,274	9,464,353	-	12,384,627	-
Leases	562,801	157,878	244,660	476,019	269,703
Total OPEB liability	<u>2,080,532</u>	<u>83,640</u>	<u>298,311</u>	<u>1,865,861</u>	<u>-</u>
Total discretely presented component unit	<u>\$ 6,562,652</u>	<u>\$ 10,734,513</u>	<u>\$ 1,497,233</u>	<u>\$ 15,799,932</u>	<u>\$ 1,321,660</u>

For governmental activities, compensated absences, OPEB and unfunded pension cost are liquidated by the General Fund. For business-type activities, compensated absences and OPEB are liquidated by the business-type activity. Compensated absences are accounted for on the LIFO basis, assuming employees are taking leave time as it is earned.

The County's legal debt margin is \$ 2,072,322,630.

g. Conduit Debt Obligations

Cabarrus 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 the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were no industrial revenue bonds outstanding.

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

C. Interfund Balances and Activity

Transactions between funds are accounted for as follows:

- 1) Transactions which would be treated as revenues, expenditures, or expenses if they involved organizations external to the County are recorded as revenues, expenditures, or expenses in the appropriate funds.
- 2) Transactions which are reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the appropriate funds.
- 3) All transactions other than those in 1) and 2) above are recorded as transfers.

The composition of interfund transfers for the year ended June 30, 2023, is as follows:

From the General Fund to the Landfill Enterprise Fund for operations	\$ 621,872
From the General Fund to the Emergency Telephone Special Revenue Fund for CAD Motorola System	756,964
From the General Fund to the County Capital Projects Fund for various capital expenditures	2,200,000
From the General Fund to the County Capital Projects Fund for various capital expenditures	15,976,001
From the General Fund to the Schools Capital Projects Fund for various expenditures	16,145,611
From the General Fund to the Cabarrus Arena and Events Center for operations and capital projects	2,317,826
From the Schools Capital Projects Fund to the General Fund for closed projects	25,174
From the Public School Building Capital Projects Fund to the General Fund for debt service payments	<u>2,300,000</u>
	<u><u>\$ 40,343,448</u></u>

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

D. Net Investment in Capital Assets

Governmental activity, net investment in capital assets at June 30, 2023, are computed as follows:

Capital assets, net of accumulated depreciation		\$ 342,790,674
Right to use assets, net of amortization		3,630,229
Subscription assets, net of amortization		829,238
Deferred outflows of resources		7,889,289
Less: capital debt		
Gross debt	\$ (428,763,770)	
School debt related to assets to which the County does not capitalize	262,956,899	
Unspent debt proceeds, non school related debt	<u>2,837</u>	(165,804,034)
Deferred outflows related to school debt		<u>(5,636,791)</u>
Net investment in capital assets		<u>\$ 183,698,605</u>

E. Supplemental and Additional Supplemental One-Half of One Percent Local Government Sales and Use Tax

State law (Chapter 105, Articles 40 and 42, of the North Carolina General Statutes) requires the County to 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 and Capital Investment Fund. The County expended the restricted portion of these taxes for public school capital outlays.

F. Public School Building Capital Fund

The Public-School Building Capital Fund (PSBCF) is currently the only source of recurring state funding for the capital facility needs (buildings and land) of the local boards of education (local education administration, or LEA). The PSBCF revenue (originally funded from a portion of the Corporate Income Tax) was distributed among the counties in the state according to Average Daily Membership (ADM) and was thus colloquially known as the “ADM Fund.” At June 30, 2023 the balance of the County’s ADM allocation account was \$6,842.

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

When the Lottery was formed, the share of that revenue allocated for capital projects was brought under the 'umbrella' of the PSBCF for distribution to the LEAs in the state. Technically, both the 'ADM Fund' and the Lottery are part of the PSBCF. At June 30, 2023 the Lottery fund had a disbursing account balance of \$4,777,973.

In order to assist county governments in meeting their public-school building repair and renovation needs, the North Carolina General Assembly passed legislation in 2021, as part of *S.I. 2021-180*, that established a new source of revenue to be used specifically for repair and renovation projects. At June 30, 2023 the Public-School Building Repair and Renovation Fund (PSBRRF) had an account balance of \$794,185.

G. Internal Service

The County has two internal service funds, one for self-insured hospitalization / dental insurance and the other for workers' compensation and property liability insurance. The self-insured hospitalization insurance fund accumulates premiums and pays all claims and related expenses for health insurance activities. At June 30, 2023 the self-insured hospitalization / dental internal service fund had an unrestricted net position of \$4,764,927. The self-insured workers' compensation and property liability insurance fund accumulates premiums and pays all claims and related expenses for workers' compensation and property liability insurance activities. At June 30, 2023 the workers' compensation / property liability internal service fund had a net position of \$8,113,559. In the basic financial statements, the net positions and activities have been allocated to all governmental fund types, and business types as applicable. These surpluses are being retained for anticipated future catastrophic losses.

Note 3. Joint Ventures

The County, in conjunction with the state of North Carolina, Rowan-Cabarrus Community College and Rowan County participates in a joint venture to operate the Rowan-Cabarrus Community College. Each of the four participants, except the County who only appoints two members, appoints four members of the fifteen-member board of trustees of the community college. The president of the community college's student government serves as an *ex-officio* non-voting 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 general obligation bonds, Limited Obligation Bonds and Capital Leases to provide financing for new and restructured facilities. Of the 2013 Refunding General Obligation bonds issued, \$424,958 in debt is still outstanding. A portion of the 2013 Refunding General Obligation Bonds were refunded with new series 2020. Of the 2020 Refunding General Obligation bonds \$412,170 in debt is still outstanding. Of the 2018 Limited Obligation bond issued, \$11,600,000 in debt is still outstanding. 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 \$3,951,954 to the community college for operating purposes and \$1,064,867 for capital outlay and building and grounds during the fiscal year ended June 30, 2023. In addition, the County made combined debt service principal payments of \$1,103,312 during the fiscal year on general obligation bonds, and limited obligation bonds for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2023. Complete financial statements for the community college may be obtained from the community college's administrative offices at I-85 at Jake Alexander Boulevard South, Salisbury, NC 28145.

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

In conjunction with Cabarrus County Chamber of Commerce, the County takes part in a joint venture to operate the Cabarrus County Tourism Authority, (dba Cabarrus County Convention and Visitors Bureau), which was established pursuant to state statute for the purpose of furthering the development of travel, tourism, and conventions in the County. The Board of Directors for the Tourism Authority is a twelve-member board. The Board of Cabarrus County Commissioners appoints three members, six members are appointed based on the recommendations of the Authority, and three members are appointed based on recommendations by the Cabarrus Regional Chamber of Commerce. The Board of Directors established the Convention and Visitors Bureau to conduct the day-to-day operations for the Tourism Authority. The Authority receives approximately 90% of room occupancy taxes, which are levied and collected by the County. For the year ended June 30, 2023 occupancy taxes totaling \$6,287,074, were distributed to the Authority. The participating governments and agency do not have an 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 Authority can be obtained at Cabarrus County CVB, 10099 Weddington Road Ext., Suite 102, Concord NC 28027.

Note 4. Jointly Governed Organization

The County in conjunction with the Cities of Concord and Kannapolis and the Towns of Harrisburg and Mount Pleasant organized the Water and Sewer Authority of Cabarrus County to operate and maintain a regional interceptor sewer system and wastewater treatment system. Although not a user of the wastewater treatment services, the County is a related party by virtue of joint governance of the Water and Sewer Authority of Cabarrus County.

The County, in conjunction with eight other counties and seventy-four municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid to the Council membership fees of \$63,003 and \$20,021 for the County Aging Service Program Match during the fiscal year ended June 30, 2023. The County was the sub recipient of grants totaling \$1,102,113 from the Division of Aging of the North Carolina Department of Health and Human Services that was passed through the Council.

Note 5. Summary Disclosure of Significant Commitments and Contingencies**Federal and State-Assisted Programs**

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

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

Note 6. Significant Effects of Subsequent Event

Direct Borrowing Draws

On June 8, 2022, the County entered into a direct borrowing agreement (the “2022B Contract”) with Cabarrus County Development Corporation providing for a 3-year draw program allowing the County to borrow up to \$160,000,000 as needed to pay all or a portion of the costs of construction of the new courthouse, Roberta Road Middle School, a new middle school and high school, a new replacement elementary school, a new EMS headquarters, a new public library/senior center, a new emergency equipment and information technology warehouse, a new radio tower, a new public park, land for a new regional public park, improvements to Frank Liske Park, parking improvements at Mt. Pleasant High School and roof replacements at various public schools. Principal is due in a lump sum at the end of the 3-year term and interest is paid monthly at a variable rate. There have been \$27,807,061 in draws since June 30, 2023.

<u>Effective Date</u>	<u>Funding Date</u>	<u>Amount</u>
06/30/23	07/07/23	\$ 4,122,233
07/31/23	08/08/23	1,731,208
09/06/23	09/13/23	9,329,125
10/03/23	10/10/23	5,122,164
10/31/23	11/07/23	7,502,331
		<u>\$ 27,807,061</u>



REQUIRED SUPPLEMENTAL FINANCIAL DATA

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

Schedule of Changes in Net OPEB Liability and Related Ratios

Schedule of County Contributions – OPEB

Schedule of Investment Returns - OPEB

Schedule of the County's Proportionate Share of Net Pension Liability (Asset) for the Local Government Employees' Retirement

Schedule of County Contributions for the Local Government Employees' Retirement System

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset) for the Register of Deeds' Supplemental Pension Fund

Schedule of County Contributions for the Register of Deeds' Supplemental Pension Fund

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

Schedule of Total Pension Liability as a Percentage of Covered Employee Payroll for the Law Enforcement Officers' Special Separation Allowance



CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

EXHIBIT 12

	Other Post Employment Benefit					
	2023	2022	2021	2020	2019	2018
Service cost at the end of the year	\$ 2,053,580	\$ 2,718,586	\$ 1,928,135	\$ 2,382,844	\$ 2,459,190	\$ 2,650,570
Interest	1,417,476	1,028,741	1,298,511	1,622,016	1,448,147	1,215,771
Difference between expected and actual experience	(3,943,785)	(286,707)	(42,333)	(11,265,223)	(309,710)	154,492
Changes of assumptions or other inputs	816,175	(6,567,892)	6,940,003	622,675	(1,458,547)	(2,423,124)
Benefits payments	(1,453,623)	(1,439,077)	(1,322,051)	(1,109,572)	(1,131,739)	(1,488,105)
Net change in Total OPEB Liability	(1,110,177)	(4,546,349)	8,802,265	(7,747,260)	1,007,341	109,604
Total OPEB Liability - beginning	41,077,664	45,624,013	34,499,299	42,246,559	41,239,218	41,129,614
Total OPEB Liability - ending	<u>\$ 39,967,487</u>	<u>\$ 41,077,664</u>	<u>\$ 43,301,564</u>	<u>\$ 34,499,299</u>	<u>\$ 42,246,559</u>	<u>\$ 41,239,218</u>
	Plan Fiduciary Net Position					
	2023	2022				
Contributions - Employer	\$ 3,453,623	\$ 3,439,077				
Actual versus expected return	1,202	2,678				
Expected investment return	70,895	-				
Benefits payments	(1,453,623)	(1,439,077)				
Net Changes in Plan Fiduciary Net Position	2,072,097	2,002,678				
Plan Fiduciary Net Position - beginning	2,002,678	-				
Plan Fiduciary Net Position - ending	<u>\$ 4,074,775</u>	<u>\$ 2,002,678</u>				
Net OPEB liability - ending	<u>\$ 35,892,712</u>	<u>\$ 39,074,986</u>	<u>\$ 43,301,564</u>	<u>\$ 34,499,299</u>	<u>\$ 42,246,559</u>	<u>\$ 41,239,218</u>
Plan Fiduciary Net Position as a percentage of Total OPEB liability	10.20%	4.88%	0.00%	0.00%	0.00%	0.00%
Covered Payroll	\$ 52,062,606	\$ 53,880,223	\$ 51,283,972	\$ 49,994,283	\$ 44,146,565	\$ 44,146,565
Total OPEB liability as a percentage of covered payroll	76.77%	76.24%	84.43%	69.01%	95.70%	93.41%

Notes to Schedule

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

Fiscal Year	Rate
2023	3.65%
2022	3.54%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
CURRENT FISCAL YEAR

EXHIBIT 13

	2023
Actuarially determined contribution	\$ 3,727,460
Contribution in relation to the Actuarially determined contribution	3,453,623
Contribution deficiency / (excess)	<u>\$ 273,837</u>
 Covered payroll	 <u>\$ 52,062,606</u>
 Contribution as a percentage of covered payroll	 6.63%
 Investment Rate of Return	 3.65%

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining amortization period	29 years
Asset Valuation	Market value
Inflation	2.50%
Healthcare Trend rates	7.5% initially, decreasing to an ultimate rate of 5.0% in 2027
Salary increase 3.5%	3.50%
Payroll Growth	2.50%
Average Assumed Retirement Age	62
Mortality	RPH-2014 Total Dataset with Scale MP-2021

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF INVESTMENT RETURNS
CURRENT FISCAL YEAR

EXHIBIT 14

	<u>2023</u>
Annual money-weighted rate of return, net of investment expense	1.82%

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

EXHIBIT 15

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	0.869%	0.834%	0.827%	0.795%	0.778%	0.770%	0.778%	0.724%	0.740%	0.741%
County's proportionate share of the net pension liability (asset) \$	\$ 49,020,060	\$ 12,793,565	\$ 29,568,671	\$ 21,710,284	\$ 18,459,668	\$ 11,761,328	\$ 16,504,338	\$ 3,247,518	\$ (4,362,472)	\$ 8,935,512
County's covered payroll ⁽¹⁾	\$ 63,599,221	\$ 59,661,187	\$ 55,609,898	\$ 51,620,898	\$ 47,754,726	\$ 46,557,398	\$ 42,520,688	\$ 39,999,294	\$ 39,888,050	\$ 38,285,570
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	77.08%	21.44%	53.17%	42.06%	38.66%	25.26%	38.81%	8.12%	(10.94%)	23.34%
Plan fiduciary net position as a percentage of the total pension liability ⁽²⁾	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

⁽¹⁾ The amount presented for each fiscal year were determined as of the prior fiscal year ending June 30.

⁽²⁾ This will be the same percentage for all participant employers in the LGERS plan.

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF COUNTY CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

EXHIBIT 16

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 8,561,899	\$ 7,337,388	\$ 6,153,223	\$ 5,088,523	\$ 4,097,992	\$ 3,674,201	\$ 3,472,475	\$ 2,903,772	\$ 2,855,518	\$ 2,836,414
Contributions in relation to the contractually required contribution	<u>8,561,899</u>	<u>7,337,388</u>	<u>6,153,223</u>	<u>5,088,523</u>	<u>4,097,992</u>	<u>3,674,201</u>	<u>3,472,475</u>	<u>2,903,772</u>	<u>2,855,518</u>	<u>2,836,414</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 69,420,547	\$ 63,599,221	\$ 59,661,187	\$ 55,609,898	\$ 51,620,898	\$ 47,754,726	\$ 46,557,398	\$ 42,520,688	\$ 39,999,294	\$ 39,888,050
Contributions as a percentage of covered payroll	12.33%	11.54%	10.31%	9.15%	7.94%	7.69%	7.46%	6.83%	7.14%	7.11%

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
REGISTER OF DEED'S SUPPLEMENTAL PENSION FUND
LAST TEN FISCAL YEARS

EXHIBIT 17

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County's proportion of the net pension liability (asset) %	2.334%	2.701%	2.253%	2.072%	2.280%	2.387%	2.399%	2.267%	2.143%	2.163%
County's proportionate share of the net pension liability (asset) \$	\$ (309,762)	\$ (520,027)	\$ (516,340)	\$ (408,973)	\$ (377,711)	\$ (407,500)	\$ (448,487)	\$ (525,183)	\$ (485,686)	\$ (462,104)
Plan fiduciary net position as a percentage of the total pension liability ⁽¹⁾	139.04%	156.53%	173.62%	164.11%	153.31%	153.77%	160.17%	197.29%	193.88%	190.50%

⁽¹⁾ This will be the same percentage for all participant employers in the ROD plan.

CABARRUS COUNTY, NORTH CAROLINA
SCHEDULE OF THE COUNTY CONTRIBUTIONS
REGISTER OF DEED'S SUPPLEMENTAL PENSION FUND
LAST TEN FISCAL YEARS

EXHIBIT 18

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 18,976	\$ 26,821	\$ 30,568	\$ 23,488	\$ 19,690	\$ 19,516	\$ 20,743	\$ 19,597	\$ 18,134	\$ 17,494
Contributions in relation to the contractually required contribution	<u>18,976</u>	<u>26,821</u>	<u>30,568</u>	<u>23,488</u>	<u>19,690</u>	<u>19,516</u>	<u>20,743</u>	<u>19,597</u>	<u>18,134</u>	<u>17,494</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

EXHIBIT 19

	2023	2022	2021	2020	2019	2018	2017
Beginning balance	\$ 13,462,604	\$ 13,003,554	\$ 8,474,799	\$ 7,374,262	\$ 7,160,865	\$ 6,676,726	\$ 6,532,773
Service cost	601,608	600,037	379,104	281,417	289,280	249,707	283,709
Interest on the total pension liability	295,583	245,798	269,162	260,998	220,996	252,149	229,563
Differences between expected and actual experience in the measurement of the total pension liability	643,902	494,015	1,083,766	724,690	319,266	(145,794)	-
Changes of assumption or other inputs	(2,108,204)	(344,991)	3,233,320	241,394	(281,484)	416,835	(164,444)
Benefits payments	(651,134)	(535,809)	(436,597)	(407,962)	(334,661)	(288,758)	(204,875)
Ending balance of the total pension liability	<u>\$ 12,244,359</u>	<u>\$ 13,462,604</u>	<u>\$ 13,003,554</u>	<u>\$ 8,474,799</u>	<u>\$ 7,374,262</u>	<u>\$ 7,160,865</u>	<u>\$ 6,676,726</u>

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

CABARRUS COUNTY, NORTH CAROLINA**EXHIBIT 20****SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST SEVEN FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017
Total pension liability	\$ 12,244,359	\$ 13,462,604	\$ 13,003,554	\$ 8,474,799	\$ 7,374,262	\$ 7,160,865	\$ 6,676,726
Covered-employee payroll	13,720,888	12,917,051	12,448,861	10,156,862	9,482,279	9,441,196	10,335,413
Total pension liability as a percentage of covered-employee payroll	89.24%	104.22%	104.46%	83.44%	77.77%	75.85%	64.60%

Notes to the Schedule:

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



APPENDIX B

SUMMARY OF PRINCIPAL DOCUMENTS

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DEFINITIONS

The following are summaries of definitions of certain terms used in this Official Statement. All capitalized terms not defined here or elsewhere in this Official Statement have the meanings set forth in the Contract or the Indenture.

"Acquisition and Construction Fund" means the special fund created under the Indenture.

"Additional Obligations" means Obligations executed and delivered in accordance with the provisions of the Indenture.

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

"Bond Fund" means the special fund created under the Indenture.

"Bond Year" means initially the period beginning the date of the initial issuance of the 2024B LOBs and ending June 30, 2025 and thereafter the period beginning July 1 of each year and ending on the ensuing June 30.

"Business Day" means a day on which either the Trustee or the County are not required to open or authorized by law to remain closed.

"Cede & Co." means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the 2024B LOBs.

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

"Contract" means the Installment Financing Contract dated as of November 1, 2024 between the Corporation and the County and any amendments or supplements thereto including the Exhibits attached thereto.

"Corporation" means Cabarrus County Development Corporation, a North Carolina nonprofit corporation.

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

"Cost of Acquisition and Construction" includes payment of or reimbursement for the following items:

- (a) the Costs of Issuance;
- (b) obligations incurred or assumed for the Project in connection with the acquisition, construction, renovation and equipping thereof, including, without limitation, costs of obtaining title insurance for, environmental assessments of and surveys of the Sites;

(c) the cost of acquisition, construction, renovation and equipping of the Project, including, without limitation, the Corporation's fees and expenses, fees and expenses of the Local Government Commission of the State (the "LGC"), taxes, inspection costs, an insurance policy, if any, a financial surety bond, if any, permit fees, filing and recording costs and advertising expenses in connection with the acquisition, construction, renovation and equipping of the Project; and

(d) all other costs which are considered to be a part of the cost of acquisition, construction, renovation and equipping of the Project in accordance with generally accepted accounting principles and which will not adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable by the County hereunder, including sums required to reimburse the County for advances made by the County that are properly chargeable to the acquisition, construction, renovation and equipping of the Project.

"Costs of Issuance" means the costs incurred in connection with the initial issuance of any Obligations, including, without limitation, all printing expenses in connection with this Indenture, the Contract, and the documents and certificates contemplated hereby, the Preliminary Official Statement and the Official Statement for such Obligations, and the legal fees and expenses of counsel to the Corporation, special counsel, counsel to the County, other counsel, counsel to the underwriter(s) or purchaser(s) of such Obligations, rating agency fees, North Carolina Municipal Council (or its successor) assessments, any accounting expenses incurred in connection with determining that such Obligations are not "arbitrage bonds" within the meaning of the Code, the Trustee's initial fees and expenses (including attorney's fees), and state license fees, on the submission of requisitions by the County signed by a County Representative stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of executing and delivering such Obligations.

"County" means the County of Cabarrus, North Carolina or any successor to its functions.

"County Representative" means (i) the Finance Director or the person or persons at the time designated to act on behalf of the County for the purpose of performing any act under the Contract by a written certificate furnished to the Trustee and the Corporation containing the specimen signatures of such person or persons and signed on behalf of the County by the County Manager and the Finance Director of the County, or (ii) if any or all of the County's rights and obligations are assigned hereunder, the person or persons at the time designated to act on behalf of the County and the assignee by a written certificate similarly furnished and of the same tenor.

"Deed of Trust" means the Deed of Trust, Security Agreement and Fixture Filing, dated as of November 1, 2024 from the County to the deed of trust trustee named therein, for the benefit of the Corporation or its assignees, as amended from time to time, all of the terms, definitions, conditions and covenants of which are incorporated by reference and are made a part of the Contract as if fully set forth herein.

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

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

"Facilities" means, collectively, the buildings and other improvements financed or refinanced with the proceeds of the 2024B LOBs and defined in the Contract as the Project, including the 2024B Project described on Exhibit A to the Contract, and any additional facilities financed with the proceeds of Additional Obligations.

“Federal Securities” means, subject to any limitations set forth in any supplemental indenture and, to the extent such investments qualify under Section 159-30 of the General Statutes of North Carolina, as amended from time to time, (a) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

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

“Fitch” means Fitch Ratings, Inc., its successors and assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, *“Fitch”* will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, by notice to the Trustee and the Purchaser (so long as the 2024B LOBs are outstanding).

“Indenture” means the Indenture of Trust dated as of November 1, 2024 between the Corporation and the Trustee, as amended or supplemented from time to time, pursuant to which the Obligations are executed and delivered.

“Installment Payments” means those payments made by the County to the Corporation as described in Article III of the Contract and in the Payment Schedule attached thereto.

“Installment Payment Date” means each February 1 and August 1, commencing February 1, 2025.

“Insurer” means, with respect to any series of Obligations, that insurance company, if any, or its successor, insuring the scheduled payment when due of the principal and interest with respect to such series of Obligations.

“Insurer Default” means, subject to any modification set forth in a supplemental indenture, the following: (a) the failure of the Insurer to make any payment required under the Policy when the same shall become due and payable and such failure has not been cured or waived, (b) the Insurer contests the binding validity of the Policy and such Policy shall have been declared null and void or unenforceable in a final determination by a court of law, (c) a decree or order for relief shall be entered by a court or insurance regulatory authority having jurisdiction over the Insurer in an involuntary case under an applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a conservator, rehabilitator, receiver, liquidator, custodian, trustee, sequestrator (or similar official) of the Insurer or for a substantial part of the property of the Insurer or ordering the winding-up or liquidation of the affairs of the Insurer, and the continuance of any such decree or order shall be unstayed and remain in effect for a period of ninety (90) consecutive days thereafter; or (d) the Insurer shall voluntarily suspend transaction of its business and shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a conservator, rehabilitator, receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors.

“*Interest Payment Date*” means, with respect to the 2024B LOBs, each February 1 and August 1, beginning February 1, 2025.

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

“*Net Proceeds*,” when used with respect to any (i) proceeds from policies of insurance on the Premises which are payable to the Corporation or the Trustee, (ii) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Premises or (iii) proceeds from any sale or lease of the Premises pursuant to the Deed of Trust or otherwise subsequent to an Event of Default, means the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys’ fees and costs) incurred in the collection of such proceeds.

“*Obligations*” means the 2024B LOBs and any Additional Obligations executed and delivered pursuant to the Indenture.

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

“*Outstanding*” or “*Obligations Outstanding*” means all Obligations which have been executed and delivered, except:

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

The term “*Outstanding*” or “*Obligations Outstanding*” specifically includes any Obligations with respect to which the principal or interest has been paid by the Insurer for such series of Obligations.

“*Owner*” or “*Owners*” means, initially, Cede & Co., as nominee for DTC, and in the event the book-entry system of evidence and transfer of ownership in the Obligations is discontinued pursuant to the provisions of the Indenture, the registered owner or owners of any Obligation fully registered as shown in the registration books of the Trustee.

“*Payment Schedule*” means the document attached to the Contract and incorporated therein by reference, which sets forth the County’s Installment Payments.

“*Permitted Encumbrances*” means, as of any particular time: (a) the Deed of Trust; (b) the Contract, as it may be amended from time to time, including any liens or encumbrances permitted by the terms of the Contract, as so amended; (c) the Indenture; (d) utility, access and other easements and rights of way, restrictions and exceptions which exist of record as of the closing date and which do not interfere with or impair the intended use of the Premises; (e) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Premises and as do

not materially impair title to the Premises; and (f) any other encumbrances described in the policy evidencing the title insurance required pursuant to the Contract.

“Permitted Investments” means any investment to the extent otherwise permitted by applicable law (including, without limitation, Section 159-30 of the North Carolina General Statutes), subject to any limitations set forth in any supplemental indenture or imposed by an Insurer.

“Person” or *“person”* means natural persons, firms, associations, banks and public bodies.

“Policy” shall mean, with respect to a series of Obligations, a municipal bond insurance policy, if any, which insures the scheduled payment when due of the principal and interest with respect to such series of Obligations as provided in said Policy.

“Premises” means the Premises as defined in the Deed of Trust, which includes only those Sites that are subject to the lien of the Deed of Trust and all buildings, structures, additions and improvements of every nature whatsoever thereon, such as the Facilities that are now or hereafter situated on or about such Sites that are subject to the lien of the Deed of Trust, including fixtures.

“Project” shall collectively mean the 2024B Project and all other facilities, equipment and assets financed in whole or in part with proceeds derived from the execution and delivery of Additional Obligations pursuant to Section 2.11 of the Indenture.

“Purchase Price” means the amount of \$135,010,000 advanced by the Corporation to enable the County to acquire, construct, renovate and equip the Project under the terms of the Contract, as such price may be adjusted in connection with the execution and delivery of Additional Obligations pursuant to Section 2.11 of the Indenture.

“Rating Agencies” collectively means Fitch, Moody’s and S&P, as applicable.

“Redemption Fund” means the special fund created under the Indenture.

“Revenues” means (a) all Net Proceeds not applied to the repair or replacement of the Premises; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies, Inc., its successors and assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, *“S&P”* will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, by notice to the Trustee and the Purchaser (so long as the 2024B LOBs are outstanding).

“Sites” means the tract(s) of real property on which the Facilities are located, each as described in Exhibit A to the Contract and incorporated therein by reference.

“State” means the State of North Carolina.

“Tax Certificate” means, with respect to the 2024B LOBs, collectively (i) the Certificate as to Non-Arbitrage and Other Matters dated the date of delivery of the 2024B LOBs, executed by the County and the Corporation and (ii) the Tax Compliance Agreement dated the date of delivery of the 2024B LOBs, executed by the County and the Corporation.

“*Trustee*” means Regions Bank, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

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

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

“*2024B LOBs*” means the not to exceed \$135,010,000 Cabarrus County Development Corporation Limited Obligation Bonds (County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B evidencing proportionate and undivided interests in the right to receive certain Revenues pursuant to the Contract.

“*2024B Project*” means, collectively, the Facilities financed with the 2024B LOBs and the Site(s) on which the Facilities financed with the 2024B LOBs are located, each as described in Exhibit A of the Contract, together with any additions, modifications, attachments, replacements and parts thereof.

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

THE CONTRACT

Advancement; Use of Proceeds. The Corporation agrees to advance to the County the Purchase Price. The Purchase Price will be deposited by the Trustee in the Acquisition and Construction Fund. The County will use the proceeds of the Purchase Price to acquire, construct, renovate and equip the Project. On completion of the acquisition, construction, renovation and equipping of the Project, a County Representative shall deliver to the Trustee (a) a certificate of a County Representative stating the fact and date of such completion and stating that all of the Cost of Acquisition and Construction has been determined and paid (or that all of such Cost has been paid less specified claims which are subject to dispute and for which a retention in the Acquisition and Construction Fund is to be maintained in the full amount of such claims until such dispute is resolved), and (b) proof of the insurance coverage required by the Contract. If the accounting of the Acquisition and Construction Fund by the Trustee shows that moneys in the Acquisition and Construction Fund will remain unexpended for the Cost of Acquisition and Construction, the unexpended funds in the Acquisition and Construction Fund shall be applied as described under "**THE INDENTURE—Funds and Accounts—The Acquisition and Construction Fund**" below.

Title to the Premises. Title to the Premises and any and all additions, repairs, replacements or modifications thereto shall be in the County, subject to the lien created under the Deed of Trust, from and after the date of execution and delivery of the Contract so long as the County is not in default under the Contract. Title to the Premises shall vest permanently in the County on the payment in full of the Purchase Price and all Additional Payments, free and clear of any lien or security interest of the Trustee therein. Simultaneously with the execution and delivery of the Contract, the County shall deliver to the Trustee the Deed of Trust and UCC-1 financing statements in form satisfactory to the Corporation and the Trustee. Upon payment in full of all of the County's obligations under the Contract, including the Purchase Price and all other payments due thereunder, the Corporation or its assignee, at the County's expense and request, shall discharge the Indenture and release the lien of the Deed of Trust and the Contract will terminate.

Liens. The County will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, security interest, encumbrance or claim on or with respect to the Premises or any interest therein, except for (i) the lien and security interest of the Corporation and the Trustee therein; (ii) utility, access and other easements and rights of way, restrictions and exceptions which do not interfere with or impair the intended use of the Premises; and (iii) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property of the general character of the Premises and as do not materially impair title to the Premises. The County shall promptly, at its own expense, take such action as may be necessary duly to discharge any such mortgage, pledge, lien, security interest, charge, encumbrance or claim if the same shall arise at any time. The County shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, security interest, charge, encumbrance or claim.

Repayments.

Installment Payments.

(a) The County will repay the Purchase Price, with interest, in installments due at the times and in the amounts set forth under the caption in the Official Statement entitled “**INSTALLMENT PAYMENT SCHEDULE.**”

(b) The County will (i) cause its Budget Officer as statutorily defined to include the Installment Payments and the reasonably estimated Additional Payments coming due in each Fiscal Year in the corresponding annual budget request, (ii) require that the deletion of such funds from the County’s final budget or any amended budget be made only pursuant to an express resolution of the Board which explains the reason for such action and (iii) deliver notice to the Trustee, the Rating Agencies and the Local Government Commission of the State of North Carolina within five days after the adoption by the Board of a resolution described in clause (ii) above. The County will not be obligated to appropriate moneys contained in the proposed budget for the payment of Installment Payments and reasonably estimated Additional Payments coming due under the Contract; however, moneys appropriated by the County to make Installment Payments in any Fiscal Year shall be used for no other purpose.

Additional Payments. The County will also pay the Additional Payments, as required by the Contract, on a timely basis directly to the person or entity to which such Additional Payments are owed.

Limited Obligation of the County. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE CONTRACT, THE INDENTURE AND THE DEED OF TRUST SHALL 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 CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, 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 CONTRACT WILL IN NO WAY OBLIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE CONTRACT. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE COUNTY’S MONEYS, NOR SHALL ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE ISSUANCE OF ANY OF THE COUNTY’S OBLIGATIONS OR ANY OTHER OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE COUNTY’S MONEYS.

Prepayment.

Optional Redemption. If the County has performed all of its obligations under the Contract, it shall have the option to prepay or provide for the prepayment of the Purchase Price on any date on or after August 1, 2034, in full or in part in the amount of \$5,000 or any whole multiple thereof on 45 days’ written notice to the Trustee, at a prepayment price equal to the then applicable redemption price of the 2024B LOBs to be prepaid, including any required redemption premium under the Indenture, plus accrued interest to the prepayment date.

Partial Redemption. In the event of a partial prepayment of the Purchase Price, the Payment Schedule shall be recalculated as necessary by the Trustee in the manner required by the Indenture.

Care and Use. The County will use the Premises in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole cost and expense, will service, repair and maintain the Premises so as to keep the Premises in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted. The County will replace any part of the Premises as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged. Any and all additions to or replacements of the Premises and all parts thereof shall constitute accessions to the Premises.

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

The County may provide for and maintain the insurance required under the Contract partially or wholly by means of an adequate risk retention fund. Reserves for a risk retention fund will be determined by using actuarial principles. Any risk retention fund shall be reviewed annually by the County’s risk manager or an independent insurance consultant or actuarial consultant. The Trustee may rely on a letter of the County’s risk manager or an independent insurance consultant or actuarial consultant (dated as of the first day of the Fiscal Year) as to the adequacy of any risk retention fund.

Damage, Destruction and Condemnation; Use of Net Proceeds

Damage, Destruction or Condemnation. If, during the term of the Contract, (i) any portion of the Premises is destroyed or damaged by fire or other casualty; (ii) title to or the temporary or permanent use of any portion of the Premises or the estate of the County or the Corporation or its assignee in any portion of the Premises is taken under the power of eminent domain by any governmental authority; (iii) a material defect in construction of any portion of the Premises becomes apparent; or (iv) title to or the use of any portion of the Premises is lost by reason of a defect in title thereto, then the County shall continue to be obligated, subject to the provisions described under **"THE CONTRACT—Damage, Destruction and Condemnation; Use of Net Proceeds—Obligation of the County to Repair and Replace the Premises,"** to pay the Installment Payments and Additional Payments as described under **"THE CONTRACT -- Repayments."**

Obligation of the County to Repair and Replace the Premises. Subject to the provisions described under **"THE CONTRACT -- Damage, Destruction and Condemnation; Use of Net Proceeds -- Discharge of Obligation of the County to Repair the Premises,"** the Trustee shall cause the Net Proceeds of any insurance policies, performance or payment bonds, if any, condemnation awards with respect to the Premises or Net Proceeds made available by reason of any occurrence described under **"THE**

CONTRACT -- Damage, Destruction and Condemnation; Use of Net Proceeds -- Damage, Destruction or Condemnation" with respect to the Premises, to be deposited in a separate fund held by the Trustee. Except as described under **"THE CONTRACT -- Damage, Destruction and Condemnation; Use of Net Proceeds -- Discharge of Obligation of the County to Repair the Premises,"** all Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Premises on receipt of requisitions acceptable to the Trustee approved by a County Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall cooperate with the County in the administration of such separate fund and shall not unreasonably withhold its approval of said requisitions. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Premises, the County may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the County agrees that, if by reason of any such insufficiency of the Net Proceeds, the County shall make any such payments, the County is not entitled to any reimbursement therefor from the Corporation, the Trustee or the Owners nor is the County entitled to any diminution of the amounts payable as described under **"THE CONTRACT --Repayments."** Any repair, restoration, modification, improvement or replacement of the Premises paid for in whole or in part out of such Net Proceeds shall be the property of the County, subject to the Deed of Trust, and shall be included as part of the Premises and the Premises under the Contract and the Deed of Trust.

Discharge of the Obligation of the County To Repair the Premises. On the occurrence of an event described under **"THE CONTRACT—Damage, Destruction and Condemnation; Use of Net Proceeds—Damage, Destruction or Condemnation"** with respect to the Premises, if the Net Proceeds are (i) less than \$100,000 and (ii) not necessary to restore the affected portion of the Premises to its intended use, the County may direct the Trustee to deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Obligations.

Within 90 days of the occurrence of an event described under **"THE CONTRACT—Damage, Destruction and Condemnation; Use of Net Proceeds—Damage, Destruction or Condemnation"** with respect to the Premises, the County will (i) commence the repair, restoration, modification, improvement or replacement of the Premises, or (ii) shall elect, by written notice to the Trustee, to proceed under the provisions of this paragraph captioned **"THE CONTRACT—Damage, Destruction and Condemnation; Use of Net Proceeds—Damage, Destruction or Condemnation."** For this purpose, "commence" shall include the retention of an architect or engineer in anticipation of repair, restoration, modification, improvement or replacement of the Premises.

Default and Remedies

Definition of Event of Default. The County will be deemed to be in default under the Contract upon the happening of any of the following events of default (each, an "Event of Default"):

- (a) The County fails to make any Installment Payment by the second Business Day preceding the first day of the month following the date on which such Installment Payment is due;
- (b) The County fails to budget and appropriate moneys sufficient to pay all Installment Payments and the reasonably estimated Additional Payments coming due in any Bond Year;

(c) The County fails to perform or observe any term, condition or covenant of the Contract on its part to be observed or performed, other than as referred to in (a) or (b) above, or of the Deed of Trust on its part to be observed or performed, or breaches any warranty by the County in the Contract or the Deed of Trust, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee unless such failure can be corrected and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure cannot be corrected within the stated period, Trustee will not unreasonably withhold consent for an extension not longer than 60 days;

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

(e) Any representation or statement made by the County in the Contract, in the Deed of Trust or in any other document executed or delivered in connection with the Contract is found to be incorrect or misleading in any material respect as of the date made; or

(f) Any Event of Default under the Deed of Trust shall have occurred.

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

(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; or

(c) Exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the Contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the 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 costs 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.

NO DEFICIENCY JUDGMENT MAY BE ENTERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH BY THE COUNTY OF ITS CONTRACTUAL OBLIGATIONS UNDER THE CONTRACT INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT IN THE EVENT THE SALE OF ALL OR ANY PORTION OF THE PREMISES IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT.

Remedies Cumulative. All remedies of the Trustee are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy.

Assignment

Assignment by the County. The County will not sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance on or against any interest in the Contract, the Premises (except for the lien and security interest of the Corporation therein or except for any permitted encumbrances under the Contract) without the Trustee's prior written consent, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, the County may lease all or a portion of the Premises subject to the following conditions:

- (a) the obligation of the County to make Installment Payments and Additional Payments under the Contract will remain obligations of the County;
- (b) the County will, at least 30 days before 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 will cause the interest component of Installment Payments relating to any Obligations to become includable in gross income for federal income tax purposes; and
- (d) the Trustee shall have received an opinion of Counsel to the County to the effect that such lease is subordinate to the lien of the Deed of Trust and such lease shall terminate upon any foreclosure of such lien.

Assignment by the Corporation. The Corporation has assigned all of its interest in the Premises and the Contract (other than its rights with respect to indemnification set forth in the Contract, certain notice rights and rights regarding those Additional Payments payable to the Corporation under the Contract), including without limitation, the Corporation's right to receive the Installment Payments, to the Trustee.

Amendments to the Contract. The Contract may not be amended by the parties hereto except in accordance with the provisions described under "**THE INDENTURE -- Supplemental Indentures and Amendments of the Contract or the Deed of Trust.**" In addition, no amendment to the Contract which would increase the amount or maturity of Obligations Outstanding will be effective until it is approved by the Local Government Commission of North Carolina.

THE INDENTURE

Assignment and Security. In order to secure the payment of the principal, premium, if any, and interest with respect to all Obligations at any time Outstanding under the Indenture, according to their tenor and effect, and to secure the performance and observance of all the covenants and conditions in the Obligations and the Indenture, and to declare the terms and conditions on and subject to which the Obligations are executed, delivered and secured, the Corporation has executed and delivered the Indenture and has granted, warranted, aliened, remised, released, conveyed, assigned, pledged, set over and confirmed unto the Trustee, and to its successors and assigns forever, all and singular the following described property, franchises and income:

- (a) All rights, title and interest of the Corporation in the Contract, except its rights with respect to indemnification set forth in the Contract, its rights to receive all notices and rights regarding those Additional Payments payable to the Corporation under the Contract;

(b) All rights, title and interest of the Corporation in the Deed of Trust and the Premises (as defined in the Deed of Trust); and

(c) All moneys and securities from time to time held by the Trustee under the Indenture in any fund or account and any and all other personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specially pledged or hypothecated, as and for additional security hereunder, by the Corporation, or by anyone on its behalf, in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

Execution and Delivery of Obligations; Additional Obligations. No Obligations may be executed and delivered except in accordance with the terms of the Indenture. So long as the Contract remains in effect and no Event of Default has occurred and is continuing, Additional Obligations may be executed and delivered on the terms and conditions provided in the Indenture.

Additional Obligations may be delivered by the Trustee to provide funds to pay: (i) the cost of renovating, equipping or expanding the Project or acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by the County for public purposes; (ii) the cost of refunding of all or any portion of the Obligations then Outstanding, any other installment financing obligations of the County or any other debt obligations of the County; and (iii) the cost of the execution, delivery and sale of the Additional Obligations, including such other costs reasonably related to a refunding under subparagraph (ii) hereof.

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

(a) Originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of the Indenture and approved by the Local Government Commission, if so required by law, including requirements regarding approval of the Owners, if applicable, and, if the County, acting in its sole discretion, has determined that all or any portion of any property, buildings or equipment related to the facilities being financed (but not refinanced), is to be subjected to the Deed of Trust, also expressly providing that, for all the purposes of the Indenture, the property covered by the Deed of Trust shall include such portion, if any, designated by the County of the property, buildings or equipment related to the facilities being financed (but not refinanced) by the Additional Obligations, and that the Obligations being executed and delivered, as well as any Obligations and Additional Obligations theretofore or thereafter executed and delivered, shall be secured on a parity with all Obligations Outstanding, including the 2024B LOBs, as provided in the Indenture, except that the date or dates of the Additional Obligations, the rate or rates of interest with respect to the Additional Obligations, the time or times of payment of the interest thereon and the principal amount thereof, and provisions for the redemption thereof, if any, all shall be as provided in the supplemental indenture and amendment to the Contract, and further providing for an increase in the Purchase Price and the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as shall be necessary to pay (assuming that no Event of Default shall occur), the principal, premium, if any, and interest with respect to the Additional Obligations.

(b) A written Opinion or Opinions of Counsel with recognized expertise in tax-exempt financing and mutually acceptable to the County, the Corporation and the Trustee, to the effect that the amendment to the Contract and the authentication of the Additional Obligations have been duly authorized, that the amendment to the Contract is valid and enforceable against the County and that the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the issuance of the Additional Obligations, and that the sale and delivery of

the Additional Obligations will not constitute a default under the Contract or the Indenture or cause any violation of the covenants, agreements or representations in the Contract or the Indenture.

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

Each of the Additional Obligations executed and delivered pursuant to the Indenture shall be secured, *pari passu*, with the 2024B LOBs originally executed and delivered and all other series of Additional Obligations, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any Obligations or Additional Obligations over any other.

Limited Obligations. Each Obligation, including the 2024B LOBs, evidences a proportionate undivided interest in the right to receive certain Revenues under the Contract. The Obligations are payable solely from Revenues as, when and if the same are received by the Trustee, which Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided in the Indenture. The Owner of each Obligation is not entitled to receive more than the amount of principal, premium, if any, and interest with respect to such Obligation. The Obligations do not constitute a debt of the County or any assignee of the County under the Contract.

NOTWITHSTANDING ANY PROVISION OF THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST WHICH MAY BE TO THE CONTRARY, NO PROVISION OF THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE INDENTURE, THE CONTRACT 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 CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, 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 CONTRACT WILL IN NO WAY OBTVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR ANY BREACH OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE INDENTURE, THE CONTRACT OR THE DEED OF TRUST.

Funds and Accounts. The Indenture creates (a) the Acquisition and Construction Fund, (b) the Bond Fund, in which there is established a separate Interest Account and Principal Account and (c) the Redemption Fund, each of which is held in trust by the Trustee.

The Acquisition and Construction Fund. The proceeds derived from the sale of the 2024B LOBs will be deposited in the Acquisition and Construction Fund. In addition, the Trustee shall deposit into the Acquisition and Construction Fund such amounts as the County may designate in a certificate signed by a County Representative in connection with the issuance of Additional Obligations pursuant to the Indenture. The Trustee will create separate accounts within the Acquisition and Construction Fund on the County's written direction. Any moneys held in the Acquisition and Construction Fund or any account thereof shall be invested and reinvested by the Trustee in accordance with the Indenture, and the income therefrom shall be retained in the Acquisition and Construction Fund or any account thereof and used (together with all other moneys held in the Acquisition and Construction Fund) to pay the Cost of Acquisition and Construction, as directed by the County in writing. Moneys held in the Acquisition and Construction Fund

shall be disbursed in accordance with the requisition procedure set forth in the Contract. The proceeds of an applicable series of Obligations may be moved from one account to another account in the Acquisition and Construction Fund on the County's written direction with a supporting Opinion of Bond Counsel.

The balance, if any, remaining in the Acquisition and Construction Fund after the payment of all Cost of Acquisition and Construction, as certified in writing to the Trustee by a County Representative, (i) may be applied by the Trustee for any purpose permitted by applicable law which, in the opinion of nationally recognized bond counsel, will not cause interest with respect to the 2024B LOBs to become includable in the gross income of the owners thereof for federal income tax purposes or (ii) absent the delivery of such an opinion to the Trustee, will be deposited first to the credit of the Interest Account and next to the Principal Account of the Bond Fund and applied to the future Installment Payments coming due under the Contract with respect to the 2024B LOBs in the order of their due date.

The Bond Fund. The Trustee will withdraw sufficient funds from the Bond Fund to pay the principal, premium, if any, and interest with respect to the Obligations as the same become due and payable.

Investment earnings on moneys on deposit in the Bond Fund shall be applied to the next payment of Installment Payments. If the Obligations are to be redeemed in whole pursuant to the terms of the Indenture, any moneys remaining in the Bond Fund shall be applied to such redemption along with other moneys held by the Trustee for such purpose.

Payments into the Interest Account. There will be deposited into the Interest Account of the Bond Fund (a) all accrued interest received at the time of the sale and delivery of Obligations, including the 2024B LOBs, if any; (b) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (c) investment earnings on the Bond Fund and the Redemption Fund, as provided in the Indenture; (d) Net Proceeds from any lease of the Premises after an Event of Default to the extent required to pay the next installment of interest with respect to the Obligations or any previous installment of interest not paid; and (e) all other moneys received by the Trustee under the Indenture accompanied by written directions from the County that such moneys are to be deposited into the Interest Account of the Bond Fund. The Trustee shall credit all amounts deposited into the Interest Account of the Bond Fund, including particularly the amounts set forth in the Contract, toward the Installment Payment then due and payable under the Contract. The Trustee will notify the County of all amounts credited toward Installment Payments within 30 days of such credit.

Payments Into the Principal Account. There will be deposited into the Principal Account of the Bond Fund (a) that portion of each payment of Installment Payments which is designated and paid as principal under the Contract; (b) Net Proceeds from any lease of the Premises after an Event of Default after the deposit required by to be made to the Interest Account pursuant to clause (d) of the immediately preceding paragraph; and (c) all other moneys received by the Trustee under the Indenture accompanied by written directions from the County that such moneys are to be deposited into the Principal Account of the Bond Fund.

The Redemption Fund. There will be deposited into the Redemption Fund all Net Proceeds and other available funds, to the extent the same is required to be deposited therein under the Indenture or the Contract, and any other moneys provided by the County to be applied to a redemption of principal components of Installment Payments. Moneys on deposit in the Redemption Fund shall be disbursed for redemption of the Obligations as provided in the Indenture. Any income from investment of moneys in the Redemption Fund not disbursed in accordance with the preceding sentence shall be deposited into the Interest Account of the Bond Fund and applied to the next payment of the Installment Payments. Whenever any moneys on deposit in the Redemption Fund are disbursed for redemption of less than all of the Outstanding Obligations, the Installment Payments set forth in the Contract will be recalculated by the

Trustee to reflect the reduction in the outstanding principal amount of the Obligations after such redemption.

Repayment to the County from the Trustee. After payment in full of the Obligations, the interest with respect thereto, any premium thereon, the fees, charges and expenses of the Trustee and all other amounts required to be paid under the Indenture and under the Contract, any amounts remaining in the Acquisition and Construction Fund, the Bond Fund, the Redemption Fund or otherwise held by the Trustee pursuant to the Indenture will be paid to the County on the expiration or sooner termination of the Contract as a return of an overpayment of Installment Payments.

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

(a) Moneys in the Acquisition and Construction Fund will be invested only in obligations which will by their terms mature not later than the date the County estimates the moneys represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund;

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

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

Any and all such deposits or investments will be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee. The Trustee is specifically authorized to enter into agreements with itself or any other person, which agreements guarantee the repurchase of specific Permitted Investments at specific prices. Except as expressly provided in the Indenture, deposits or investments shall at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. In computing the amount in any fund or account held under the provisions of the Indenture, obligations purchased as a deposit or investment of moneys therein shall be valued exclusive of accrued interest. The Trustee will sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

The value of all Permitted Investments in the funds and accounts established under the Indenture shall be determined by the Trustee three (3) Business Days prior to each Installment Payment Date. In addition, the value of the Permitted Investments in such funds and accounts shall be determined by the Trustee at any time requested in writing by the County or the Corporation on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to determine the value of the Permitted Investments more than once in any calendar month.

Defaults and Remedies.

Events of Default. The occurrence of any of the following events is defined as an “Event of Default” under the Indenture:

- (a) Default in the payment of the principal or premium, if any, with respect to any Obligation when the same becomes due and payable, whether at the stated maturity thereof or on proceedings for redemption.
- (b) Default in the payment of any installment of interest with respect to any Obligation when the same becomes due and payable.
- (c) The occurrence of an “Event of Default” as provided in the Contract or the Deed of Trust.

Remedies on Default.

(a) On the occurrence and continuance of an Event of Default under the Indenture, the Trustee may, and if requested in writing by a majority in aggregate principal amount of the Owners of the Obligations then Outstanding shall, declare the obligations of the County as to the principal component of the Installment Payments and the aggregate principal amount of Obligations to be immediately due and payable, whereupon they will, without further action, become due and payable; provided, however, that as long as a Policy for a series of Obligations is in effect and no Insurer Default has occurred and is continuing, the Obligations of that series are not subject to acceleration unless the Trustee receives the prior written consent of the Insurer of that series to such acceleration.

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

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

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

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

(ii) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the Defaulting Party or the Premises (as defined in the Deed of Trust) held as security therefor, including all remedies available to the Beneficiary under the Deed of Trust.

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

Notwithstanding anything in the Indenture to the contrary, upon the occurrence and continuance of an Event of Default and so long as no Insurer Default has occurred and is continuing, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the series of Obligations insured by such Insurer or the Trustee for the benefit of the Owners of such series of Obligations under the Indenture, including, without limitation, (i) the right to accelerate the principal with respect to the Obligations as described in the Indenture, and (ii) the right to annul any declaration of acceleration of such series of Obligations, and the Insurer shall also be entitled to approve all waivers of Events of Default relating to such series of Obligations pursuant to the provisions described in “**THE INDENTURE -- Defaults and Remedies - Waivers of Events of Default**” below.

Majority of Owners May Control Proceedings. The Owners of a majority in aggregate principal amount of the Obligations then Outstanding have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing issued to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of the Indenture. The Trustee is not required to act on any said direction given to it by the Owners pursuant to the foregoing sentence until the indemnity described in the Indenture is furnished to it by such Owners.

Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless (i) a default has occurred of which the Trustee has been notified in writing as provided in the Indenture, or of which by the Indenture it is deemed to have notice, and such default has become an Event of Default as defined in the Indenture; (ii) the Owners of not less than a majority in aggregate principal amount of Obligations then Outstanding have made written request to the Trustee and shall have offered the Trustee reasonable opportunity either to

proceed to exercise the powers granted to the Trustee by the Indenture or to institute such action, suit or proceedings in its own name and they shall have also offered to the Trustee indemnity as provided in the Indenture; and (iii) the Trustee thereafter fails or refuses to exercise such powers or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture. No one or more Owners have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Indenture by his action or to enforce any right under the Indenture except in the manner therein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Obligations then Outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Owner to enforce the payment of the principal, premium, if any, and interest with respect to any Obligation at and after the maturity thereof to the extent permitted by the Indenture and applicable law.

Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing on any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by the Indenture, to the extent permitted by the Indenture and applicable law, may be exercised from time to time and as often as may be deemed expedient.

Waivers of Events of Default. The Trustee may in its discretion with the consent of the Insurer, if any, waive any Event of Default under the Indenture and its consequences, and notwithstanding anything else to the contrary contained in the Indenture shall do so on the written request of the Owners of a majority in aggregate principal amount of all Obligations then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of that series of Obligations then Outstanding as to which the Event of Default exists (a) any Event of Default in the payment of the principal or premium with respect to any Outstanding Obligations at the date of maturity specified therein or (b) any default in the payment when due of the interest with respect to any such Obligations, unless before such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (both with interest on all overdue installments at the rate or rates borne by the Obligations), and all expenses of the Trustee in connection with such default have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, the County, the Trustee and the Owners shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture as a result of an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and applied as follows:

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

FIRST - To the payment to the persons entitled thereto of all installments of interest then due with respect to the Obligations, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available is not sufficient, to pay in

full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal and premium, if any, with respect to any of the Obligations which shall have become due (other than Obligations matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and beginning with the earliest due date and, if the amount available is not sufficient to pay in full all Obligations due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

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

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

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

Whenever moneys are to be applied pursuant to the foregoing provisions, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Installment Payment Date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the Owner of any Obligation until such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal, premium, if any, and interest with respect to all of the Obligations has been paid under the foregoing provisions and all expenses and charges of the Trustee and all amounts owed to any Insurer have been paid, any balance remaining in the Bond Fund will be paid to the County.

Supplemental Indentures and Amendments of the Contract or the Deed of Trust.

Supplemental Indentures Not Requiring Consent of Owners. The Trustee and the Corporation may, with the written consent of the County, but without the consent of, or notice to, the Owners, enter into such indentures supplemental to the Indenture for any one or more or all of the following purposes, as long as such supplemental indenture does not adversely affect the interests of the Owners:

(a) To add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation;

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

(c) To execute and deliver Additional Obligations as provided in the Indenture.

Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures described under the foregoing caption, the written consent of the County and the consent of the Owners of not less than a majority in aggregate principal amount of the Obligations then Outstanding is required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental to the Indenture; provided, however, that without the consent of the Owners of all the Obligations at the time Outstanding affected thereby nothing herein contained shall permit, or be construed as permitting:

(a) A change in the terms of redemption or maturity of the principal amount of or the interest with respect to any Outstanding Obligation, or a reduction in the principal amount of or premium payable on any redemption of any Outstanding Obligation or the rate of interest thereon;

(b) The deprivation of the Owner of any Obligation then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);

(c) A privilege or priority of any Obligation or Obligations over any other Obligation or Obligations; or

(d) A reduction in the aggregate principal amount of the Obligations required for consent to such supplemental indenture.

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

Execution of Supplemental Indenture. The Trustee is authorized to join with the Corporation in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein, but the Trustee is not obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under the Indenture. Any supplemental indenture executed in accordance with the provisions of this Article shall thereafter form a part of the Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained

therein shall be deemed to be part of the Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Obligations executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee.

Amendments of the Contract or the Deed of Trust Not Requiring Consent of Owners. The Corporation and the Trustee may, with the written consent of the County and the Insurer, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust that does not materially adversely affect the interests of the existing Owners as may be required (a) by the provisions of the Contract, the Deed of Trust or the Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Contract or the Deed of Trust; (c) in order to more precisely identify the Premises (as defined in the Deed of Trust) or to add or substitute improvements acquired in accordance with the Contract, the Deed of Trust and the Indenture; (d) in order to execute and deliver Additional Obligations as permitted by the Indenture; (e) to amend the County's continuing disclosure obligation as provided in the Contract; or (f) in connection with any other change to the Contract or the Deed of Trust which, in the judgment of the Trustee, does not materially adversely affect the interests of the existing Owners.

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

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

Outstanding Obligations shall, before the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the immediately preceding paragraph if (a) in case said Obligations are to be redeemed on any date before their maturity, the County has given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date in accordance with the Indenture notice of redemption of such Obligations on said redemption date, (b) there has been deposited with the Trustee either moneys in an amount which shall be sufficient, or Federal Securities which shall not contain provisions permitting the redemption thereof at the option of the County, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, sufficient to pay, when due,

the principal, premium, if any, and interest due and to become due with respect to the Obligations on the redemption date or maturity date thereof, as the case may be, and (c) in the event said Obligations are not by their terms subject to redemption within the next 60 days, the County has given the Trustee in form satisfactory to it (i) irrevocable instructions to give, as soon as practicable in the same manner as the notice of redemption is given pursuant to the Indenture, a notice to the Owners of such Obligations that the deposit required by (b) above has been made with the Trustee and that said Obligations are deemed to have been paid in accordance with the provisions of the Indenture and stating such maturity or redemption date on which moneys are to be available for the payment of the principal, premium, if any, and interest with respect to said Obligations, (ii) verification from an accountant or other verification agent satisfactory to the Trustee that the moneys or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Obligations on the redemption date or maturity date thereof, as the case may be and (iii) an opinion of nationally recognized bond counsel that such deposit of moneys or Federal Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest with respect to the Obligations. Neither the Federal Securities nor moneys deposited with the Trustee for such purposes or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, premium, if any, and interest with respect to said Obligations; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other moneys or Federal Securities then held by the Trustee as described above) to pay when due the principal, premium, if any, and interest to become due with respect to said Obligations on or before such redemption date or maturity date thereof, as the case may be. At such time as any Obligations shall be deemed paid as aforesaid, such Obligations shall no longer be secured by or entitled to the benefits of the Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such moneys or Federal Securities deposited with the Trustee.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal or interest due with respect to any of the Obligations is paid by an Insurer pursuant to its Policy with respect to such series of Obligations, such series of Obligations shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the County and the Corporation to the Owners of such series of Obligations shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of the Owners of such series of Obligations.

The Trustee.

Fees and Expenses of Trustee. The Trustee is entitled to payment and reimbursement for its reasonable fees for its services rendered under the Indenture as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as and when the same become due.

Resignation or Replacement of Trustee. The Trustee may resign by giving written notice to the County, the Corporation and each Insurer not less than 60 days before such resignation is to take effect. Such resignation will take effect only on the appointment of a qualified successor as provided in Indenture. However, if a successor Trustee is not appointed within 60 days after the Trustee gives notice of resignation, the Trustee shall have the right to petition a court of competent jurisdiction to appoint a successor Trustee. The Trustee may be removed at any time (i) by the Corporation, at the written direction of the County, (ii) by an instrument in writing, executed by the Owners of a majority in aggregate principal amount of the Obligations then Outstanding, or (iii) by an Insurer for cause. The Corporation may not, however, remove

the Trustee if an Event of Default under the Indenture has occurred and is continuing and no removal will be effective until a successor Trustee has been appointed and until such appointment has been accepted.

If the Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be nominated by the County and appointed by the Corporation, or if there is an Event of Default by the County under the Contract, by the Owners of a majority in aggregate principal amount of the Obligations then Outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys-in-fact duly appointed; provided, that the Corporation may, by an instrument executed by it, appoint a successor until a new successor shall be appointed by the Owners as authorized by the Indenture. The Corporation on making such appointment shall forthwith give notice thereof to each Owner and to the County, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Corporation shall immediately and without further act be superseded by a successor appointed in the manner provided above by the Owners of a majority in aggregate principal amount of the Obligations Outstanding.

Every successor will be a bank or trust company in good standing, qualified to act under the Indenture, and having a capital and surplus of not less than \$100,000,000. In addition, the appointment of a successor Trustee under the Indenture is subject to the prior written consent of each Insurer and the Secretary of the LGC, which consents will not be unreasonably withheld. Any successor appointed under the Indenture will execute, acknowledge and deliver to the County and to the Corporation an instrument accepting such appointment, and thereon such successor will, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust under the Indenture with like effect as if originally named as Trustee therein; but the Trustee retiring will, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, on the trusts expressed in the Indenture, all the estates, properties, rights, powers and trusts of the predecessor, which shall duly assign, transfer and deliver to the successor all properties and moneys held by it under the Indenture. Should any instrument in writing from the County or the Corporation be required by any successor for more fully vesting in and confirming to such successor all the estates, properties, rights, powers and trusts of the predecessor, the said deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered by the County or the Corporation on request of such successor.

Conversion, Consolidation or Merger of Trustee. Any bank or trust company into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee under the Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties; provided, however, that such merged or successor entity meets the qualifications of a successor Trustee under the Indenture described above.

Power to Appoint Co-Trustees. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Project may at the time be located, the Corporation and the Trustee have power to appoint and, upon the request of the Trustee or of the Owners of a majority of the aggregate principal amount of the Obligations then Outstanding, the Corporation will for such purpose join with the Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Trustee and the County either to act as co-trustee or co-trustees, jointly with the Trustee of all or any part of the Project, or to act as separate trustee or separate co-trustees of all or any part of the Project, and to vest in such person or persons, in such capacity, such title to the Project or any part thereof, and such rights, powers, duties, trusts or obligations as the Corporation and the Trustee may consider necessary or desirable, subject to the provisions and limitations set forth in the Indenture.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties, trusts or obligations, as shall be specified in the instrument of appointment jointly with the Trustee (except insofar as applicable law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms of the Indenture. Every such acceptance shall be filed with the Trustee.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the same manner as provided for with respect to the appointment of a successor Trustee pursuant to the Indenture.

THE DEED OF TRUST

Grant of Lien on and Security Interest in the Premises. As security for its obligations under the Contract and any additional payments agreed to be made by or on behalf of the County subsequent to the execution of the Deed of Trust, the County has conveyed to the Deed of Trust Trustee a lien of record upon and security interest in the Premises, subject to amendment of the Deed of Trust as provided therein and Permitted Encumbrances.

Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Corporation, the County will make, execute and deliver or cause to be made, executed and delivered, to the Corporation and/or the Deed of Trust Trustee and, where appropriate and on request of the Deed of Trust Trustee or the Corporation, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices and places as shall be deemed desirable by the Corporation, any and all such other and further deeds of trust, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as may, in the opinion of the Corporation, be necessary or desirable in order to effectuate, complete, or perfect, or to continue and preserve (a) the obligations of the County under the Contract or the Deed of Trust and (b) the lien of the Deed of Trust as a first and prior lien, subject to Permitted Encumbrances, upon and security title in and to all of the Premises, whether now owned or hereafter acquired by the County. Upon any failure by the County to do so, the Corporation may make, execute, record, file, re-record and/or refile any and all such deeds of trust, security agreements, financing statements, continuation statements, instruments, certificates, and documents for and in the name of the County and the County has irrevocably appointed the Corporation as its agent and attorney-in-fact to do so.

Release of Premises. Notwithstanding any other provision of the Deed of Trust, 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 Corporation, with the prior written consent of the Insurer, if any, will release the Premises or any part thereof from the lien and security interest of the Deed of Trust, but only when and if the following requirements have been fulfilled:

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

(2) In connection with the release of any part of the Premises constituting less than the entire Premises, (a) either (i) the value of the Premises remaining after the proposed release (as such value is evidenced by or derived from (A) an appraisal of the remaining Premises prepared by

a certified MAI-approved appraiser, (B) the insured value of the remaining Premises or (C) the assessed tax valuation of the remaining Premises) is not less than 50% of the aggregate principal components of the Installment Payments relating to the Obligations then Outstanding or (ii) the County (A) provides for substitution other property (the "*Substitute Property*") that will be made subject to the lien of this Deed of Trust that has a value such that the combined value of the remaining Premises and the Substitute Property, (as such value is evidenced by or derived from (I) an appraisal of the remaining Premises and the Substitute Property prepared by a certified MAI-approved appraiser, (II) the insured value of the remaining Premises and the Substitute Property or (III) the assessed tax valuation of the remaining Premises and the Substitute Property) is not less than the value of the Premises immediately before the proposed substitution or is not less than 50% of the aggregate principal components of the Installment Payments relating to the Obligations then Outstanding and (b) the County delivers to the Trustee, the Beneficiary and the Insurer, if any, an opinion of bond or special counsel to the County to the effect that (i) the substitution of such Substitute Property is permitted by law and is permitted under the terms of the Indenture and the Deed of Trust and (ii) for any Obligations with respect to which the interest component of the Installment Payments 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 excludability of interest with respect to such Obligations from the gross income of the owners thereof for federal and State income tax purposes, and (c) the County records a release, amendment or modification to the Deed of Trust or such other instruments necessary to reflect such release of a part of the Premises and, if applicable, substitution of Substitute Property at the place and in the manner required by the laws of the State.

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

(4) In connection with the release of all property constituting the entire Premises, there is paid to the Corporation an amount sufficient to provide for the payment in full of all Outstanding Obligations in accordance with the terms of the Indenture.

Events of Default. The terms "*Default*", "*Event of Default*" or "*Events of Default*", wherever used in the Deed of Trust, shall mean any one or more of the following events:

(a) Failure by the County to pay any Additional Payment when due or any Installment Payment by the second Business Day preceding the first day of the month following the date on which such Installment Payment is due; or

(b) The occurrence of any other "Event of Default" under the Contract or the Indenture.

Acceleration upon Default, Additional Remedies. If an Event of Default shall have occurred and is continuing, the Corporation may declare all Indebtedness (as defined in the Deed of Trust) to be due and payable and the same shall thereupon become due and payable in accordance with the Contract and the Deed of Trust without any presentment, demand, protest or notice of any kind. Thereafter, the Corporation may, to the extent permitted by applicable law and the Contract:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Premises, or any part thereof, in its own name or in the name of the Deed of Trust Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of

the Premises, or part thereof or interest therein, increase the income therefrom or protect the security of the Deed of Trust, and, with or without taking possession of the Premises, sue for or otherwise collect the rents and issues thereof, including those rents and issues past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney's fees, upon any indebtedness secured by the Deed of Trust, all in such order as the Corporation may determine. The entering upon and taking possession of the Premises, the collection of such rents and issues and the application thereof as aforesaid, shall not cure or waive any Event of Default or notice of Event of Default under the Deed of Trust or invalidate any act done in response to such Default or pursuant to such notice of Default and notwithstanding the continuance in possession of the Premises or the collection, receipt and application of rents and issues, the Deed of Trust Trustee or the Corporation, to the extent permitted by applicable law and the Contract, shall be entitled to exercise every right provided for in any instrument securing or relating to the indebtedness secured by the Deed of Trust or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose the Deed of Trust as a mortgage, specially enforce any of the covenants thereof, or cause the Deed of Trust Trustee to foreclose the Deed of Trust by power of sale; and

(c) To the extent permitted by applicable law and the Contract, exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of North Carolina or under any other applicable laws.

(d) NO DEFICIENCY JUDGMENT MAY BE ENTERED AGAINST THE COUNTY IN FAVOR OF THE CORPORATION, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THE DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE PREMISES IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THE DEED OF TRUST. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THE DEED OF TRUST AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONIES DUE OR SECURED UNDER THE DEED OF TRUST.

Foreclosure by Power of Sale. If the Corporation elects to foreclose by exercise of the power of sale contained in the Deed of Trust, the Corporation shall notify the Deed of Trust Trustee and shall deposit with the Deed of Trust Trustee the Deed of Trust and such receipts and evidence of expenditures made and secured thereby as the Deed of Trust Trustee may require.

Upon application of the Corporation, it shall be lawful for and the duty of the Deed of Trust Trustee, and the Deed of Trust Trustee is authorized and empowered to expose to sale and to sell the Premises at public auction for cash, after having first complied with all applicable requirements of North Carolina law with respect to the exercise of powers of sale contained in deeds of trust and upon such sale, the Deed of Trust Trustee shall convey title to the purchaser in fee simple. After retaining from the proceeds of such sale just compensation for the Deed of Trust Trustee's services and all expenses incurred by the Deed of Trust Trustee, including a reasonable trustee's commission not exceeding one-half of one percent (.5%) of the bid and reasonable attorneys' fees for legal services actually performed, the Deed of Trust Trustee shall apply the residue of the proceeds first to the payment of all sums expended by the Corporation under the terms of the Deed of Trust; second, to the payment of the indebtedness secured by the Deed of Trust and interest thereon; and the balance, if any, shall be paid to the County. The County agrees that in the event of sale under the Deed of Trust, the Corporation shall have the right to bid at said sale.

Discontinuance of Proceedings and Restoration of the Parties. If the Corporation and the Deed of Trust Trustee, or either of them, shall have proceeded to enforce any right, power or remedy under the Deed of Trust by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Corporation and the Deed of Trust Trustee, or either of them, then and in every such case the County and the Corporation and the Deed of Trust Trustee, and each of them, shall be restored to their former positions and rights under the Deed of Trust, and all rights, powers and remedies of the Corporation and the Deed of Trust Trustee, and each of them, shall continue as if no such proceeding had been taken.

Remedies Not Exclusive. No remedy under the Deed of Trust conferred upon or reserved to the Deed of Trust Trustee or the Corporation is intended to be exclusive of any other remedy under the Deed of Trust or by law provided or preclusive of any other remedy under the Deed of Trust or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given under the Deed of Trust or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any instrument securing or relating to the indebtedness secured by the Deed of Trust to the Deed of Trust Trustee or the Corporation or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Deed of Trust Trustee or the Corporation and either of them may pursue inconsistent remedies.

Waiver. No delay or omission of the Corporation or the Deed of Trust Trustee to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy or shall be construed to be a waiver of any such Default, or acquiescence therein; and every right, power and remedy given by the Deed of Trust to the Corporation and the Deed of Trust Trustee, and each of them, may be exercised from time to time and as often as may be deemed expedient by the Corporation and the Deed of Trust Trustee, and each of them. No consent or waiver, expressed or implied, by the Corporation to or of any breach or Default by the County in the performance of the obligations of the County under the Deed of Trust will be deemed or construed to be a consent or waiver to or of any other breach or Default in the performance of the same or any other obligations of the County under the Deed of Trust. Failure on the part of the Corporation to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Corporation of its rights under the Deed of Trust or impair any rights, powers or remedies consequent on any breach or Default by the County.

Appointment of Successor Trustee. The Corporation has the irrevocable right to remove the Deed of Trust Trustee at any time without notice to such Deed of Trust Trustee or cause and to appoint a successor by an instrument in writing, duly acknowledged, in such form as to entitle such written instrument to be recorded in the State, and in the event of the death or resignation of the Deed of Trust Trustee, the Corporation has the right to appoint a successor by such written instrument, and any successor Deed of Trust Trustee so appointed shall be vested with the title to the Premises and shall possess all the powers, duties and obligations conferred by the Deed of Trust on the Deed of Trust Trustee named therein.

APPENDIX C
FORM OF OPINION OF BOND COUNSEL

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November 27, 2024

Board of Commissioners of Cabarrus County, North Carolina
Cabarrus County Development Corporation
Concord, North Carolina

Regions Bank, as Trustee
Atlanta, Georgia

\$135,010,000
Limited Obligation Bonds
(County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B

Ladies and Gentlemen:

We have acted as special counsel to the County of Cabarrus, North Carolina (the "*County*") in connection with the execution and delivery of the \$135,010,000 Cabarrus County Development Corporation Limited Obligation Bonds (County of Cabarrus, North Carolina Installment Financing Contract), Series 2024B (the "*2024B LOBs*"), each evidencing proportionate undivided interests in the right to receive certain Revenues pursuant to an Installment Financing Contract, dated as of November 1, 2024 (the "*Contract*"), between the Cabarrus County Development Corporation (the "*Corporation*") and the County. The 2024B LOBs are being executed and delivered pursuant to the terms of an Indenture of Trust, dated as of November 1, 2024 (the "*Indenture*") between the Corporation and Regions Bank, as trustee (the "*Trustee*"). Pursuant to the Indenture, the Corporation has assigned to the Trustee all of its rights, title and interest in and to the Contract, including the right to receive Installment Payments, but excluding certain reserved rights as set forth in the Indenture. All terms used herein as defined terms and not otherwise defined herein shall have the meanings assigned thereto in the Indenture.

The proceeds of the 2024B LOBs will be applied by the County, with other available funds, to provide funds to (i) acquire, construct, renovate and equip the 2024B Project (as defined in the Contract) and (ii) pay certain expenses incurred in connection with the execution and delivery of the 2024B LOBs.

As security for its obligations under the Contract, the County has executed and delivered to the deed of trust trustee named therein for the benefit of the Corporation a Deed of Trust, Security Agreement and Fixture Filing dated as of November 1, 2024 (the "*Deed of Trust*"), granting, among other things, a lien on the Premises (as defined in the Deed of Trust); and the Corporation has assigned without recourse its rights with respect thereto to the Trustee pursuant to the Indenture.

In connection with this opinion, we have examined executed counterparts of the Contract, the Indenture, a specimen 2024B LOB, the Deed of Trust and the resolutions of the County providing for the execution and delivery of the Contract. In addition, we have examined and relied upon originals (or copies certified or otherwise identified to our satisfaction) of such other documents, instruments, records, certificates and opinions of counsel, and have made such investigations of law, as we have deemed

necessary or appropriate for the purposes of the opinions rendered below. In our examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of originals of such copies. As to any facts material to our opinion which we did not independently establish or verify, we have relied upon statements and representations contained in the aforesaid documents and certificates.

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

1. Assuming due authorization, execution and delivery of the Indenture by the Corporation and the Trustee, and assuming due execution of the 2024B LOBs by the Corporation and due authentication and delivery of the 2024B LOBs by the Trustee, the 2024B LOBs are entitled to the benefits of the Indenture and, together with all other Obligations from time to time Outstanding under the Indenture, evidence legal, valid, and binding proportionate undivided interests in the right to receive the Installment Payments and certain other amounts pursuant to the terms of the Contract and the Indenture.
2. The Contract has been duly authorized, executed and delivered by the County and the Corporation and is a legal, valid and binding agreement of the County enforceable in accordance with its terms; provided, however, that no opinion is expressed with respect to the indemnification provisions of the Contract.
3. No provision of the Contract is to be construed or interpreted as creating a pledge of the faith and credit of the County within the meaning of the Constitution of the State of North Carolina, and the Contract does not directly or indirectly or contingently obligate the County to make any payments beyond those appropriated in the sole discretion of the Board of Commissioners of the County for any fiscal year in which the Contract shall be in effect. No deficiency judgment may be rendered against the County in any action for breach of a contractual obligation under the Contract, and the taxing power of the County is not and may not be pledged directly or indirectly or contingently to secure any moneys due under the Contract.
4. The Deed of Trust has been duly authorized and executed by the County and grants to the deed of trust trustee named therein a lien of record on the Premises, subject to Permitted Encumbrances (as defined in the Deed of Trust). The Deed of Trust secures the County's obligations under the Contract, including the payment of Installment Payments as defined in the Contract, and the payment and performance of all other liabilities and obligations of the County to the Corporation, for the benefit of the Corporation and to the Trustee, as assignee of the Corporation pursuant to the Indenture.
5. The portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is excludable from the gross income of the owners thereof for federal income

tax purposes. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”) that must be satisfied subsequent to the execution and delivery of the 2024B LOBs in order that the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs be, and continue to be, not includable in gross income for federal income tax purposes. In the Contract and related documents, the County has agreed to comply with all such requirements of the Code. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs to be includable in gross income for federal income tax purposes retroactively to the date of execution and delivery of the 2024B LOBs.

6. The 2024B LOBs are not “specified private activity bonds” within the meaning of the alternative minimum tax provisions of the Code and that, accordingly, the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, except that the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is taken into account in determining the “adjusted financial statement income” of certain corporations for purposes of computing the alternative minimum tax on corporations for tax years beginning after December 31, 2022.
7. The portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs is exempt from all present State of North Carolina income taxes.

The ownership of the 2024B LOBs and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2024B LOBs may result in other federal (and, in some cases, state and local) tax consequences with respect to which we express no opinion.

The rights of the owners of the 2024B LOBs and the enforceability of the 2024B LOBs, the Contract, the Deed of Trust and the Indenture and the respective obligations of the County and the Corporation pursuant thereto are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion or principles of equity in appropriate cases.

No opinion is expressed as to the priority of any lien or security interest created by the Contract or the Deed of Trust.

In rendering this opinion, we have relied upon the opinion of Richard M. Koch., Esq., County Attorney, with respect to (i) the authorization, execution and delivery by the County of the Contract and the Deed of Trust and (ii) the recordation of the Deed of Trust.

Board of Commissioners of Cabarrus County, North Carolina
Cabarrus County Development Corporation
Regions Bank, as Trustee
November 27, 2024
Page 4

Respectfully submitted,

MAYNARD NEXSEN PC

By: _____
Authorized Member

APPENDIX D
BOOK-ENTRY ONLY FORM

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APPENDIX D

BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the 2024B LOBs. The 2024B LOBs will be delivered as fully registered certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully registered certificate will be issued for each maturity of the 2024B LOBs in the aggregate principal amount of the 2024B LOBs, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2024B LOBs, as DTC's partnership nominee, references herein to the owners or registered owners of the 2024B LOBs shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2024B LOBs.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the 2024B LOBs, payment of interest and other payments on the 2024B LOBs to DTC Participants (as such term is defined herein) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2024B LOBs and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U. S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U. S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2024B LOBs under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024B LOBs on DTC's records. The ownership interest of each actual purchaser of each 2024B Limited Obligation Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2024B LOBs 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 certificates representing their ownership interests in the 2024B LOBs, except in the event that use of the book-entry system for the 2024B LOBs is discontinued.

To facilitate subsequent transfers, all the 2024B LOBs 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 the 2024B LOBs with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024B LOBs; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2024B LOBs 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 2024B LOBs may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2024B LOBs, such as redemptions, tenders, defaults, and proposed amendments to the 2024B Limited Obligation Bond documents. For example, Beneficial Owners of the 2024B LOBs may wish to ascertain that the nominee holding the 2024B LOBs 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 2024B LOBs within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024B LOBs unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2024B LOBs are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2024B LOBs 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, the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the County or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2024B LOBs purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2024B LOBs by causing the Direct Participant to transfer the Participant's interest in the 2024B LOBs, on DTC's records, to the Trustee. The

requirement for physical delivery of 2024B LOBs in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2024B LOBs are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2024B LOBs to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2024B LOBs at any time by giving reasonable notice to the County, the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained 2024B Limited Obligation Bond certificates 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, 2024B Limited Obligation Bond certificates will be printed and delivered to DTC.

The County, the Corporation and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the 2024B LOBs (a) payments of principal of or interest on the 2024B LOBs, (b) confirmations of their ownership interests in the 2024B LOBs or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the 2024B LOBs, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement. The information in this section preceding this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that the County and the Corporation believe to be reliable, but the County and the Corporation take no responsibility for the accuracy thereof.

NEITHER THE COUNTY, THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR REDEMPTION PRICE OR INTEREST ON THE 2024B LOBS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE BOND ORDINANCE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2024B LOBS OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

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