

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 each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, such interest will be taken into account in computing the alternative minimum tax on certain corporations to the extent such interest is included in the "adjusted financial statement income" of such corporations. In the opinion of Bond Counsel, under existing law, the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is exempt from State of North Carolina income taxes. See the caption "**TAX TREATMENT**" herein.

**\$49,540,000**

**Limited Obligation Bonds, Series 2023**

**Evidencing Proportionate Undivided Interests of the Owners thereof in  
Installment Payments to be made Pursuant to an Installment Financing  
Agreement Between the Onslow County Public Facilities Company and the  
COUNTY OF ONSLOW, NORTH CAROLINA**

**Dated: Date of Delivery**

**Due: December 1, as shown on the inside cover**

This Official Statement has been prepared by the County of Onslow, North Carolina (the "*County*") to provide information on the Onslow County Public Facilities Company Limited Obligation Bonds (Onslow County, North Carolina), Series 2023 (the "*2023 Bonds*").

**Security:** The 2023 Bonds, together with any other Bonds (as defined herein) hereafter outstanding under the Trust Agreement (as defined herein), evidence proportionate undivided interests in Installment Payments (as defined herein) to be made with respect to an Installment Financing Agreement, dated as of June 1, 2023 (the "*Agreement*"), between the Onslow County Public Facilities Company (the "*Corporation*") and the County. As security for its obligations under the Agreement, the County will execute and deliver to a deed of trust trustee for the benefit of the Corporation a Deed of Trust and Security Agreement, dated as of June 1, 2023 (the "*Deed of Trust*"), granting, among other things, a lien of record on the Mortgaged Property (as defined herein) subject to Permitted Encumbrances (as defined in the Agreement). The Corporation will assign all of its rights in the Deed of Trust and the Agreement (except certain rights with respect to indemnification, the payment of certain expenses and receipt of certain notices) to the Trustee (as defined herein).

THE PRINCIPAL AND INTEREST COMPONENTS OF THE INSTALLMENT PAYMENTS RECEIVED WITH RESPECT TO THE 2023 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY UNDER THE AGREEMENT AND, TO THE EXTENT PROVIDED IN THE TRUST AGREEMENT, CERTAIN INVESTMENT EARNINGS, CERTAIN NET PROCEEDS (AS DEFINED IN THE TRUST AGREEMENT), IF ANY, AND CERTAIN AMOUNTS REALIZED FROM ANY SALE OR LEASE OF THE MORTGAGED PROPERTY. NEITHER THE AGREEMENT NOR THE 2023 BONDS NOR THE INTEREST COMPONENT OF THE INSTALLMENT PAYMENTS RECEIVED 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 AGREEMENT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE AGREEMENT AND DUE THE OWNERS OF THE 2023 BONDS. SEE THE CAPTION "**SECURITY AND SOURCES OF PAYMENT OF 2023 BONDS**" HEREIN.

**Prepayment:** The 2023 Bonds are subject to optional prepayment before their maturities as described herein.

**Purpose:** Proceeds of the 2023 Bonds will be used, together with other available funds, to (1) pay the costs of the acquisition, construction and equipping of an elementary school as more fully described herein; (2) prepay a portion of the Prior Bonds (as defined herein); and (3) pay certain costs incurred in connection with the execution and delivery of the 2023 Bonds.

**Interest Payment Dates:** June 1 and December 1 of each year, commencing December 1, 2023.

**Denomination:** \$5,000 or integral multiples thereof.

**Delivery:** On or about June 28, 2023.

**Financial Advisor:** Davenport & Company LLC

**Bond Counsel:** Robinson, Bradshaw & Hinson, P.A.

**Counsel to County and Corporation:** Brett J. DeSelms, Esq.

**Underwriters' Counsel:** Parker Poe Adams & Bernstein LLP

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

**PNC Capital Markets LLC**

**Baird**

The date of this Official Statement is June 9, 2023.

## MATURITY SCHEDULE

**\$49,540,000**  
**Limited Obligation Bonds, Series 2023**

**Evidencing Proportionate Undivided Interests of the Owners thereof in  
Installment Payments to be made Pursuant to an Installment Financing  
Agreement Between the Onslow County Public Facilities Company and the  
COUNTY OF ONSLOW, NORTH CAROLINA**

### MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

DECEMBER 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP	DECEMBER 1	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP
2024	\$2,065,000	5.00%	3.17%	68285TEN5	2032	\$2,065,000	5.00%	2.86%	68285TFA2
2025	2,080,000	4.00	3.06	68285TEP0	2033	2,060,000	5.00	2.91 <sup>C</sup>	68285TFB0
2025	2,065,000	5.00	3.06	68285TEQ8	2034	2,060,000	5.00	3.00 <sup>C</sup>	68285TFC8
2026	2,075,000	4.00	2.97	68285TER6	2035	2,060,000	5.00	3.14 <sup>C</sup>	68285TFD6
2026	2,065,000	5.00	2.97	68285TES4	2036	2,060,000	5.00	3.25 <sup>C</sup>	68285TFE4
2027	2,075,000	4.00	2.90	68285TET2	2037	2,060,000	5.00	3.37 <sup>C</sup>	68285TFF1
2027	2,065,000	5.00	2.90	68285TEU9	2038	2,060,000	5.00	3.46 <sup>C</sup>	68285TFG9
2028	2,065,000	5.00	2.88	68285TEV7	2039	2,060,000	5.00	3.52 <sup>C</sup>	68285TFH7
2029	2,065,000	5.00	2.91	68285TEW5	2040	2,060,000	4.00	4.02	68285TFJ3
2030	2,065,000	5.00	2.86	68285TEX3	2041	2,060,000	4.00	4.04	68285TFK0
2031	2,065,000	5.00	2.86	68285TEY1	2042	2,060,000	4.00	4.05	68285TFL8
2032	2,065,000	4.00	2.98	68285TEZ8	2043	2,060,000	4.00	4.06	68285TFM6

<sup>C</sup> Yield to December 1, 2032 call date at 100%.

<sup>+</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright © 2023 CUSIP Global Services. All rights reserved. CUSIP numbers are set forth herein for the convenience of reference only and neither the County, the Underwriter, nor their agents take responsibility for the accuracy of such data.

IN CONNECTION WITH THIS OFFERING, PNC CAPITAL MARKETS LLC AND ROBERT W. BAIRD & COMPANY INCORPORATED (THE “*UNDERWRITERS*”), MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2023 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than 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 shall there be any sale of the 2023 Bonds 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 and other sources that are deemed to be reliable.

NEITHER THE 2023 BONDS NOR THE TRUST AGREEMENT HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(A)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2023 BONDS OR THE TRUST AGREEMENT IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2023 BONDS AND THE TRUST AGREEMENT HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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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 2023 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

The 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 respective 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.

**COUNTY OF ONSLOW, NORTH CAROLINA**

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**BOARD OF COMMISSIONERS**

Timothy Foster..... Chairman  
Robin Knapp ..... Vice-Chair

Royce Bennett  
Paul Buchanan  
Lisa Carpenter  
Mark Price  
Walter Scott

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**COUNTY STAFF**

Sharon Griffin. .... County Manager  
R. Andrew Prince..... Director of Finance  
Brett J. DeSelms, Esq..... County Attorney  
Julie S. Wand ..... Clerk to the Board

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**BOND COUNSEL**

Robinson, Bradshaw & Hinson, P.A.  
Charlotte, North Carolina

**FINANCIAL ADVISOR**

Davenport & Company LLC  
Charlotte, North Carolina

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**\$49,540,000**  
**Limited Obligation Bonds, Series 2023**

**Evidencing Proportionate Undivided Interests of the Owners thereof in  
Installment Payments to be made Pursuant to an Installment Financing  
Agreement Between the Onslow County Public Facilities Company and the  
COUNTY OF ONSLOW, 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 Onslow County Public Facilities Company Limited Obligation Bonds, Series 2023 (the “*2023 Bonds*”) in the aggregate principal amount of \$49,540,000, which evidence proportionate undivided interests in installment payments (the “*Installment Payments*”) to be made with respect to an Installment Financing Agreement, dated as of June 1, 2023 (the “*Agreement*”), between Onslow County Public Facilities Company (the “*Corporation*”) and the County of Onslow, North Carolina (the “*County*”). The 2023 Bonds will be executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2023 (the “*Trust Agreement*”), between the Corporation and U.S. Bank Trust Company National Association, as trustee (the “*Trustee*”). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix C hereto under the caption “**DEFINITIONS.**”

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

**THE COUNTY**

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

**PURPOSE**

The 2023 Bonds are being executed and delivered in order to provide funds, together with other available funds, with which to (1) pay the costs of a portion of the cost of acquiring, constructing, equipping, and improving an elementary school to be located at 2221 Belgrade Swansboro Road, Maysville, North Carolina (the “*2023 Project*”), as more fully described herein; (2) prepay a portion of the Onslow County Public Facilities Company Limited Obligation Bonds (Onslow County, North Carolina), Series 2012A (the “*Prior Bonds*”), the proceeds of which financed the Prior Projects (as defined herein), as more fully described herein; and (3) pay certain costs incurred in connection with the execution and delivery of the 2023 Bonds. See the captions “**THE PLAN OF FINANCE**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

**SECURITY**

As security for its obligations under the Agreement, the County will execute and deliver to a deed of trust trustee (the “*Deed of Trust Trustee*”), for the benefit of the Corporation, a Deed of Trust and Security Agreement, dated as of June 1, 2023 (the “*Deed of Trust*”), granting a lien of record on the site of the 2023 Project and the improvements thereon and appurtenances thereto (the “*Mortgaged Property*”),

as more particularly described in the Deed of Trust, subject only to Permitted Encumbrances (as defined in the Agreement).

Pursuant to the Trust Agreement, the Corporation will assign to the Trustee, for the benefit of the Owners of the 2023 Bonds and any Additional Bonds (collectively, the “*Bonds*”) substantially all of its rights, title and interest in and to (1) the Agreement, including its rights to receive Installment Payments, and (2) the Deed of Trust. In addition, the Corporation will grant to the Trustee a lien on and security interest in all moneys held by the Trustee in certain funds and accounts created under the Trust Agreement. Pursuant to the Agreement, Installment Payments payable by the County will be paid directly to the Trustee.

The 2023 Bonds, along with any Additional Bonds hereafter executed and delivered pursuant to the Trust Agreement, will be secured by the Deed of Trust. See the caption “**SECURITY AND SOURCES OF PAYMENT OF 2023 BONDS**” herein.

If a default occurs under the Agreement, the Trustee for the Owners of the 2023 Bonds can direct the Deed of Trust Trustee to foreclose on the Mortgaged Property and apply the proceeds received as a result of any such foreclosure to the payment of the amounts due to the Owners of the 2023 Bonds subject to the rights of the Owners of any Additional Bonds. NO ASSURANCE CAN BE GIVEN THAT ANY SUCH PROCEEDS WILL BE SUFFICIENT TO PAY THE PRINCIPAL AND THE INTEREST COMPONENTS OF THE INSTALLMENT PAYMENTS RECEIVED WITH RESPECT TO THE 2023 BONDS. IN ADDITION, NO DEFICIENCY JUDGMENT CAN BE RENDERED AGAINST THE COUNTY IF THE PROCEEDS FROM ANY SUCH FORECLOSURE SALE (TOGETHER WITH OTHER FUNDS THAT MAY BE HELD BY THE TRUSTEE UNDER THE TRUST AGREEMENT) ARE INSUFFICIENT TO PAY THE 2023 BONDS IN FULL. NEITHER THE 2023 BONDS NOR THE COUNTY’S OBLIGATION TO MAKE PAYMENTS UNDER THE AGREEMENT CONSTITUTE A PLEDGE OF THE COUNTY’S FAITH AND CREDIT WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION. See the caption “**SECURITY AND SOURCES OF PAYMENT OF 2023 BONDS**” herein.

#### **THE 2023 BONDS**

The 2023 Bonds will be dated as of their date of delivery. Interest is payable on June 1 and December 1 of each year, beginning December 1, 2023, at the rates set forth on the inside cover page of this Official Statement. Principal is payable, subject to prepayment as described herein, on December 1 in the years and in the amounts set forth on the inside cover page of this Official Statement.

#### **ADDITIONAL BONDS**

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then-outstanding 2023 Bonds and without notice to such Owners, Additional Bonds may be delivered and secured on parity with the 2023 Bonds to provide funds, with any other available funds, for (1) paying the cost of any Improvements and applicable Delivery Costs, or (2) refunding all or any portion of the 2023 Bonds, any Additional Bonds or any other financing under N.C.G.S. Section 160A-20, and paying applicable Delivery Costs.

#### **BOOK-ENTRY FORM ONLY**

The 2023 Bonds will be delivered in book-entry form only without physical delivery of certificates to beneficial owners of the 2023 Bonds. Payments to beneficial owners of the 2023 Bonds will be made by through The Depository Trust Company (“*DTC*”), Jersey City, New Jersey, and its participants. See Appendix E, “**BOOK-ENTRY-ONLY SYSTEM**” hereto. So long as Cede & Co. is the registered owner of the 2023 Bonds, references herein to registered owner or Owners means Cede & Co. and not the beneficial owners of the 2023 Bonds.



## **TAX STATUS**

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 each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is excludable from gross income 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; however, such interest is taken into account in computing the alternative minimum tax on certain corporations to the extent such interest is included in the “adjusted financial statement income” of such corporations. In the opinion of Bond Counsel, under existing law, the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is exempt from State of North Carolina income taxes. See the caption “**TAX TREATMENT**” herein.

## **PROFESSIONALS**

PNC Capital Markets LLC and Robert W. Baird & Company Incorporated (the “*Underwriters*”), are underwriting the 2023 Bonds. U.S. Bank Trust Company National Association is serving as Trustee with respect to the 2023 Bonds. Davenport & Company LLC is serving as Financial Advisor to the County. Robinson, Bradshaw & Hinson, P.A. is serving as Bond Counsel. Brett J. DeSelms, Esq. is the County Attorney and serving as counsel to the Corporation. Parker Poe Adams & Bernstein LLP is serving as counsel to the Underwriters.

## **ADDITIONAL INFORMATION**

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the County at 234 Northwest Corridor Boulevard, Jacksonville, North Carolina 28540, Attention: Finance Director. Copies of such documents can also be obtained during the offering period from PNC Capital Markets LLC at 4720 Piedmont Row, Suite 200, Charlotte, North Carolina 28210. After the offering period, copies of such documents may be obtained from the Trustee at 214 North Tryon Street, 27<sup>th</sup> Floor, Charlotte, North Carolina 28202, Attention: Corporate Trust Department.

## **THE 2023 BONDS**

### **AUTHORIZATION**

The 2023 Bonds will be executed and delivered pursuant to the Trust Agreement. The 2023 Bonds evidence proportionate undivided interests in rights to Installment Payments made by the County under the Agreement.

The County is entering into the Agreement under the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Board of Commissioners for the County (the “*Board of Commissioners*”) authorized the County’s execution and delivery of the Agreement in a resolution adopted on May 15, 2023.

In addition, on June 6, 2023 the North Carolina Local Government Commission (the “*LGC*”) gave its the required approval for the County to enter into the Agreement. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in the State. Its approval is required for substantially all bond issues and other local government financing arrangements in the State. Before approving an installment financing, the LGC must determine, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the proposed financing are not excessive for the local government.

## GENERAL

**Payment Terms.** The 2023 Bonds will be dated their date of delivery. The interest component of the Installment Payments received with respect to the 2023 Bonds is payable on each June 1 and December 1 (the “*Bond Payment Dates*”), beginning December 1, 2023, 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). The principal component of the Installment Payments received with respect to the 2023 Bonds is payable, subject to prepayment as described herein, on December 1 in the years and amounts set forth on the inside cover page of this Official Statement. Payments will be effected through DTC. See Appendix E, “**BOOK-ENTRY-ONLY SYSTEM**” hereto.

**Registration and Exchange.** So long as DTC or its nominee is the registered owner of the 2023 Bonds, transfers and exchanges of beneficial ownership interests in the 2023 Bonds will be available only through DTC Participants and DTC Indirect Participants. See Appendix E, “**BOOK-ENTRY-ONLY SYSTEM**” hereto. The Trust Agreement describes provisions for transfer and exchange applicable if a book-entry system is no longer in effect. These provisions generally provide that the transfer of the 2023 Bonds is registrable by the Owners thereof, and the 2023 Bonds may be exchanged for an equal aggregate, unprepaid principal amount of 2023 Bonds of the authorized denomination and of the same maturity and interest rate, only upon presentation and surrender of the 2023 Bonds to the Trustee at the principal corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any shipping and tax or other governmental charge payable in connection therewith.

## PREPAYMENT PROVISIONS

**Optional Prepayment.** The 2023 Bonds maturing on or after December 1, 2033 are subject to prepayment from any available moneys in whole or in part on any date on or after December 1, 2032 at the option of the County, if the County exercises its option under the Agreement to prepay in whole or in part the principal component of the Installment Payments, at a prepayment price equal to the principal with respect to such 2023 Bonds to be prepaid, together with accrued interest to the date fixed for prepayment.

**Selection.** Whenever fewer than all Outstanding 2023 Bonds are called for optional prepayment, the Trustee shall select 2023 Bonds for prepayment from the Outstanding 2023 Bonds not previously called for prepayment, in authorized denominations, as directed by the County, and by lot within any maturity. Notwithstanding the foregoing, so long as a book-entry system is used for determining beneficial ownership of the 2023 Bonds, if less than all of the 2023 Bonds within a maturity are to be prepaid, the Securities Depository shall determine pursuant to its rules and procedures the interests of its participants in the 2023 Bonds to be prepaid.

**Effect of Call for Prepayment.** The 2023 Bonds subject to prepayment are due and payable on the Bond Prepayment Date at the applicable prepayment price plus accrued interest to the prepayment date. If the required notice of prepayment has been given and moneys or Defeasance Obligations in an amount sufficient for the prepayment (plus accrued interest to the Bond Prepayment Date) have been set aside in the Prepayment Fund, interest with respect to the 2023 Bonds to be prepaid will cease to accrue and become payable, and the Owners of such 2023 Bonds will have no rights in respect of such 2023 Bonds or portions thereof except to receive payment of the prepayment price and accrued interest from the funds held by the Trustee for such purpose.

**Notice of Prepayment.** The Trustee will mail, postage prepaid, a notice of prepayment of any 2023 Bonds at least 30 days and not more than 60 days before the Bond Prepayment Date to the Owners

of the 2023 Bonds or portions of the 2023 Bonds to be prepaid, provided that notice to any Securities Depository will be sent by registered or certified mail or confirmed facsimile transmission or, in the case of DTC, by electronic transmission to such address as is provided by DTC, and provided further that failure to give any such notice or any defect in such notice will not affect the validity of the proceedings for such prepayment as to the 2023 Bonds of any other Owner to whom such notice has been properly given. In addition, notice of prepayment will be given by the Trustee in compliance with Rule 15c2-12 under the Securities Exchange Act of 1934. See the caption “**CONTINUING DISCLOSURE OBLIGATION**” herein.

If a notice of optional prepayment provided that such prepayment was conditioned upon the deposit of moneys with the Trustee in an amount sufficient to effect the prepayment and sufficient funds have not been deposited with the Trustee on or before the date fixed for prepayment, then the 2023 Bonds subject to such optional prepayment will remain Outstanding and the failure of the County to deposit such funds with the Trustee shall not constitute an Event of Default under the Trust Agreement. The Trustee shall send notice to the Owners of the affected Bonds promptly upon being notified or determining that such Bonds will not be prepaid.

## **THE PLAN OF FINANCE**

Proceeds of the 2023 Bonds, less the portion thereof used to pay costs of executing and delivering the 2023 Bonds, will be used, with other available funds, to (a) finance the a portion of the cost of acquiring, constructing, equipping, and improving an elementary school to be located at 2221 Belgrade Swansboro Road, Maysville, North Carolina (the “*2023 Project*”) and (b) prepay a portion of the Prior Bonds maturing June 1, 2026 to 2028, inclusive, and 2033 (the “*Bonds to be Refunded*”).

### **The 2023 Project**

The new elementary school will be approximately 109,000 square feet and serve 840 students. Construction of the 2023 Project is expected to be complete in Spring 2025.

### **Prepayment of the Bonds to be Refunded**

The Corporation previously executed and delivered the Prior Bonds pursuant to a Trust Agreement dated as of December 1, 2012 (the “*Prior Trust Agreement*”) between the Corporation and U.S. Bank National Association, now known as U.S. Bank Trust Company, National Association (in such capacity, the “*Prior Trustee*”). Pursuant to into an Installment Financing Agreement, dated as of December 1, 2012 between the County and the Corporation, the Corporation loaned the proceeds of the Prior Bonds to the County to provide funds for the (a) construction of the Onslow County Environmental Education Center and Public Library, (b) construction of a five-site simulcast radio communications system, and (c) construction of the Onslow County Government Center at the Burton Industrial Park (collectively, the “*Prior Project*”).

At Closing, a portion of the proceeds of the 2023 Bonds will be deposited into the prepayment fund for the Prior Bonds established under the Prior Trust Agreement. Such proceeds will be held in trust by the Prior Trustee and applied on July 10, 2023 by the Prior Trustee to prepay the Bonds to be Refunded at a prepayment price equal to 100% of the principal amount thereof, plus accrued interest thereto to such prepayment date.

The Mortgaged Property only includes the site of the 2023 Project.

## ESTIMATED SOURCES AND USES OF FUNDS

The following table presents information as to the estimated sources and uses of funds relating to the 2023 Bonds:

### SOURCES OF FUNDS:

Par Amount of the 2023 Bonds	\$49,540,000
Net Original Issue Premium	<u>4,302,446</u>
<b>TOTAL SOURCES</b>	<b>\$53,842,446</b>

### USES OF FUNDS:

Deposit to Project Fund for Project Costs	\$44,710,626
Prepayment of the Bonds to be Refunded	8,592,072
Delivery Costs <sup>1</sup>	<u>539,748</u>
<b>TOTAL USES</b>	<b>\$53,842,446</b>

<sup>1</sup> Include Underwriters' discount, legal fees, printing fees, rating fees, financial advisory fees, and other miscellaneous transaction costs.

## SECURITY AND SOURCES OF PAYMENT OF 2023 BONDS

### GENERAL

The 2023 Bonds are payable from Installment Payments to be made by the County under the Agreement, and from certain investment earnings, certain Net Proceeds, if any, and certain amounts realized from any sale or lease of the Mortgaged Property.

### INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

Under the Agreement, the County is required to pay Installment Payments directly to the Trustee semiannually on or before 5 days prior to each June 1 and December 1 in amounts sufficient to provide for the payment of the principal and interest with respect to the 2023 Bonds on such dates. Installment Payments payable for any period are reduced by certain investment earnings and other amounts on deposit in the Installment Payment Fund available to pay the principal or interest with respect to the 2023 Bonds.

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

### BUDGET AND APPROPRIATION

In connection with both Installment Payments and Additional Payments, the appropriation of funds therefor is within the sole discretion of the Board of Commissioners. In the Agreement, the County agrees to include in the County Manager's annual budget proposal for review and consideration by the Board of Commissioners, in any Fiscal Year, items for all Installment Payments and the reasonably estimated Additional Payments coming due in such Fiscal Year. The Agreement also provides that if the Board of Commissioners determines not to appropriate in the budget an amount sufficient to pay all

Installment Payments and the reasonably estimated Additional Payments coming due in the applicable Fiscal Year, the Board of Commissioners is to adopt a resolution to such effect containing a statement of its reasons therefor, which resolution is to be adopted by a vote identifying those voting for and against and abstaining from the resolution and is to be recorded in the minutes of the Board of Commissioners.

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

## **TRUST AGREEMENT**

Under the Trust Agreement, the Corporation will assign to the Trustee for the benefit of the Owners of the Bonds (1) all rights of the Corporation under the Agreement (except its rights to indemnification, the payment of certain expenses and the receipt of certain notices), including the right to receive Installment Payments and Prepayments made by the County under the Agreement and any Net Proceeds, (2) all rights of the Corporation as beneficiary under the Deed of Trust, including its right, title and interest in the Mortgaged Property (except its rights in respect of indemnification and the receipt of certain notices) and (3) all moneys and securities from time to time held by the Trustee in certain funds and accounts created under the Trust Agreement.

## **DEED OF TRUST**

**General.** The County will also execute the Deed of Trust conveying the Mortgaged Property to the Deed of Trust Trustee as security for its obligations under the Agreement. The Mortgaged Property includes only the site of the 2023 Project and the improvements thereon and appurtenances thereto, as more particularly described in the Deed of Trust. The Deed of Trust will constitute a lien of record on the Mortgaged Property, subject only to Permitted Encumbrances. The lien of record will be insured by a title insurance policy. The County may finance future improvements and equipment with the proceeds of Additional Bonds, which improvements and equipment might not become a part of the Mortgaged Property.

The Deed of Trust permits future obligations evidenced by Additional Bonds to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured by the Deed of Trust at any one time does not exceed \$100,000,000 and such future obligations are incurred not later than 30 years from the date of the Deed of Trust.

**Release of Security.** WITH THE CONSENT OF THE CORPORATION AND SO LONG AS THERE IS NO EVENT OF DEFAULT UNDER THE DEED OF TRUST, THE DEED OF TRUST TRUSTEE MUST RELEASE PORTIONS OF THE MORTGAGED PROPERTY FROM THE LIEN OF THE DEED OF TRUST ON COMPLIANCE WITH THE REQUIREMENTS OF THE DEED OF TRUST. Any release of Mortgaged Property from the lien of the Deed of Trust will occur only when and if the following requirements have been fulfilled:

(1) In connection with any release of the Mortgaged Property other than fixtures, the Corporation receives a certified copy of the resolution of the Board of Commissioners stating the purpose for which the County desires such release of the Mortgaged Property, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release.

(2) In connection with the release of any part of the Mortgaged Property constituting less than all of the Mortgaged Property, such release does not inhibit in any material way ingress or egress to the remaining portion of the Mortgaged Property or

materially interfere with the intended use of the remaining portion of the Mortgaged Property (such determination to be made by a certificate of a County Representative filed with the Corporation to such effect).

(3) In connection with the release of any part of the Mortgaged Property constituting less than all of the Mortgaged Property, the appraised, tax or insured value of the Mortgaged Property remaining after the proposed release is not less than 50% of the aggregate principal components of the Installment Payments related to the Bonds then Outstanding.

(4) In connection with the release of all property constituting the Mortgaged Property, there has been paid to the Trustee an amount sufficient to provide for payment in full of all Outstanding Bonds in accordance with the Trust Agreement.

See the caption **“THE DEED OF TRUST--*Release of Mortgaged Property*”** in Appendix C hereto.

#### **LEASE AGREEMENT**

The site of the 2023 Project and the improvements thereon and appurtenances thereto, constitutes the Mortgaged Property under the Deed of Trust and will be leased by the County to The Onslow County Board of Education (the *“Board of Education”*) pursuant to a Lease Agreement, dated as of June 1, 2023 (the *“Lease”*), between the County, as lessor, and the Board of Education, as lessee. The Lease is subordinate to the lien on the Mortgaged Property created by the Deed of Trust. Title to the Mortgaged Property remains with the County; however, the Board of Education may purchase the Mortgaged Property for a purchase price of \$100.00 following the termination of the Agreement.

#### **ENFORCEABILITY**

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

THE AGREEMENT 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 AGREEMENT IS IN EFFECT. If the County fails to make Installment Payments required under the Agreement, the Trustee may declare the entire unpaid principal portion of the Installment Payments to be immediately due and payable and direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and may in accordance with law dispose of such Mortgaged Property and apply the proceeds of any such disposition toward any balance owing by the County under the Agreement to make Installment Payments. No assurance can be given that such proceeds will be sufficient to pay the principal and interest components of the Installment Payments with respect to all Outstanding Bonds. IN ADDITION, SECTION 160A-20(F) OF THE NORTH CAROLINA GENERAL STATUTES PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE AGREEMENT 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 AGREEMENT. See the captions **“THE INSTALLMENT FINANCING AGREEMENT--*Remedies on Default*”** and **“THE DEED OF TRUST--*Foreclosure*”** in Appendix C hereto and the caption **“CERTAIN RISKS OF 2023 BOND OWNERS”** herein.

## **ADDITIONAL BONDS**

Under the conditions described in the Trust Agreement, without the approval or consent of the Owners of the then outstanding 2023 Bonds, Additional Bonds may be delivered and secured on parity with the 2023 Bonds. See the caption “**THE TRUST AGREEMENT--Additional Bonds**” in Appendix C 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 during the term of the Agreement.

### **GENERAL FUND REVENUES**

The County ended fiscal year 2022 with general fund revenues of approximately \$248.9 million. General fund revenues are derived from various sources, including property taxes (which account for approximately 44.5% of the general fund revenues), sales taxes, fees and charges, as well as intergovernmental revenues. For the fiscal year ending June 30, 2023, the County imposed a property tax rate of \$0.655 per \$100 of assessed value. For the fiscal year ended June 30, 2022, the County imposed a property tax rate of \$0.705 per \$100 of assessed value. For the fiscal year ended June 30, 2022, a rate of \$.01 per \$100 of assessed value generated approximately \$1.57 million. For the fiscal year ending June 30, 2023, the County projects that a rate of \$.01 per \$100 of assessed value will generate approximately \$2.07 million. The General Statutes of North Carolina permit counties to impose property taxes of up to \$1.50 per \$100 of assessed value for certain purposes without the requirement of a voter referendum. See Appendix B hereto for a description of the uses of the County’s general fund revenues for the fiscal year ended June 30, 2022.

## **INSTALLMENT PAYMENT SCHEDULE**

The following schedule sets forth the amount of principal and interest required to be paid each fiscal year pursuant to the Agreement with respect to the 2023 Bonds.

<b>FISCAL YEAR ENDING JUNE 30</b>	<b>PRINCIPAL COMPONENT OF INSTALLMENT PAYMENTS</b>	<b>INTEREST COMPONENT OF INSTALLMENT PAYMENTS</b>	<b>TOTAL</b>
2024		\$2,138,276	\$2,138,276
2025	\$2,065,000	2,260,025	4,325,025
2026	4,145,000	2,115,175	6,260,175
2027	4,140,000	1,928,825	6,068,825
2028	4,140,000	1,742,575	5,882,575
2029	2,065,000	1,597,825	3,662,825
2030	2,065,000	1,494,575	3,559,575
2031	2,065,000	1,391,325	3,456,325
2032	2,065,000	1,288,075	3,353,075
2033	4,130,000	1,143,525	5,273,525
2034	2,060,000	999,100	3,059,100
2035	2,060,000	896,100	2,956,100
2036	2,060,000	793,100	2,853,100
2037	2,060,000	690,100	2,750,100
2038	2,060,000	587,100	2,647,100

<b>FISCAL YEAR ENDING JUNE 30</b>	<b>PRINCIPAL COMPONENT OF INSTALLMENT PAYMENTS</b>	<b>INTEREST COMPONENT OF INSTALLMENT PAYMENTS</b>	<b>TOTAL</b>
2039	2,060,000	484,100	2,544,100
2040	2,060,000	381,100	2,441,100
2041	2,060,000	288,400	2,348,400
2042	2,060,000	206,000	2,266,000
2043	2,060,000	123,600	2,183,600
2044	2,060,000	41,200	2,101,200
<b>TOTAL</b>	<b>\$49,540,000</b>	<b>\$22,590,101</b>	<b>\$72,130,101</b>

## **CERTAIN RISKS OF 2023 BOND OWNERS**

### **INSUFFICIENCY OF INSTALLMENT PAYMENTS**

If Installment Payments by the County are insufficient to pay the principal and interest with respect to all Outstanding Bonds as the same become due or if another event of default occurs under the Agreement, the Trustee may accelerate the Outstanding Bonds and all unpaid principal amounts due by the County under the Agreement, direct the Deed of Trust Trustee to foreclose on the Mortgaged Property under the Deed of Trust, take possession of the Mortgaged Property and attempt to dispose of the Mortgaged Property. See the caption “**THE INSTALLMENT FINANCING AGREEMENT**” in Appendix C hereto.

Zoning restrictions and other land use factors relating to the Mortgaged Property may limit the use of the Mortgaged Property and may affect the proceeds obtained on any disposition by the Deed of Trust Trustee. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH DISPOSITION OF THE MORTGAGED PROPERTY WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO ALL OUTSTANDING BONDS. SECTION 160A-20(F) OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE AGREEMENT, 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 AGREEMENT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE BONDS ON A DEFAULT BY THE COUNTY UNDER THE AGREEMENT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE DEED OF TRUST.

### **RISK OF NONAPPROPRIATION**

The appropriation of moneys to make the Installment Payments is within the sole discretion of the Board of Commissioners. If the Board of Commissioners fails to appropriate such moneys, the only sources of payment for the 2023 Bonds will be the moneys, if any, available in certain funds and accounts held by the Trustee under the Trust Agreement and the proceeds of any attempted foreclosure on the County’s interest in the Mortgaged Property under the Deed of Trust.

### **UNINSURED CASUALTY**

If all or any part of the Mortgaged Property is partially or totally damaged or destroyed by any casualty or taken by any governmental authority, the County is obligated under the Agreement to apply any Net Proceeds from insurance or condemnation to repair or replace the Mortgaged Property. If the Net Proceeds are not sufficient to repair or replace the Mortgaged Property to its condition prior to such



damage, destruction or taking, the value of the Mortgaged Property would be reduced. The Agreement requires that certain insurance be maintained with respect to the Mortgaged Property. Such insurance may not, however, cover all perils to which the Mortgaged Property is subject.

#### **OUTSTANDING GENERAL OBLIGATION DEBT OF THE COUNTY**

The County has issued general obligation bonds and may issue general obligation bonds and notes in the future. The County will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes to be issued. See Appendix A, “**THE COUNTY--DEBT INFORMATION**” hereto. 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 AGREEMENT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

#### **ENVIRONMENTAL RISKS**

A Phase I environmental report was delivered with respect to the Mortgaged Property on July 29, 2022. The report identified that an underground storage tank (“UST”) was installed on the Mortgaged Property in October 1975; however, no documentation of a tank closure was found. A Phase II environmental report was delivered on September 21, 2022. The former UST basin was located and no contaminants meriting further action were detected in soil samples. No additional action was recommended. Undiscovered or future environmental contamination could have a material adverse effect on the value of the Mortgaged Property; however, the County is required under the Agreement to undertake whatever environmental remediation may be required by law.

#### **ADDITIONAL BONDS**

The Corporation may execute and deliver Additional Bonds under the Trust Agreement that are secured by the Mortgaged Property, thereby diluting the relative value of the collateral with respect to the 2023 Bonds.

#### **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 2023 Bonds, including (a) delay in enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a plan of reorganization reducing or delaying payment of the 2023 Bonds. The effect of the other provisions of the United States Bankruptcy Code on the rights and remedies of the holders of the 2023 Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy. Regardless of any specific adverse determinations in a bankruptcy case of the County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the 2023 Bonds.

## **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*”). The County has been engaged in helping others when they are impacted, with members of the County’s IT Department involved in the statewide Joint Cyber Taskforce. This group is deployed when a public agency is impacted by a cyber event for forensics, threat remediation, and recovery.

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.

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.

## **CLIMATE CHANGE**

The State is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes, which could result in negative economic impacts on communities like the County. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as “climate change”). No assurances can be given that a future extreme weather event driven by climate change will not adversely affect the operations of the County.

## **THE COUNTY OF ONSLOW**

### **GENERAL**

See Appendix A for a description of the County.

### **CONTINGENT LIABILITIES AND LITIGATION**

It is the opinion of the County Attorney that there is no known litigation involving the County that will materially affect the ability of the County to meet its financial obligations.

### **FINANCIAL INFORMATION**

The financial statements of the County have been audited by certified public accountants for the fiscal year ended June 30, 2022. Excerpts from the financial statements of the County for the fiscal year

ended June 30, 2022 are available in Appendix B hereto. Copies of the complete financial statements containing the unqualified report of the independent certified public accountants are available in the office of Mr. R. Andrew Prince, Finance Director (910-455-3404), County of Onslow, 234 Northwest Corridor Boulevard, Jacksonville, North Carolina 28540.

## **THE CORPORATION**

The Corporation was incorporated as a nonprofit corporation under the laws of the State on April 27, 2006. The Board of Directors of the Corporation consists of three directors who serve until their successors are elected following one-year terms. The following individuals are currently serving as the directors of the Corporation and hold the following offices:

Sharon Griffin- President  
R. Andrew Prince - Vice President/Assistant Secretary  
Lisa Marlin - Secretary/Treasurer

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

## **LEGAL MATTERS**

### **LITIGATION**

To the best of the knowledge of the County, no litigation is now pending or threatened against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2023 Bonds, the Agreement or the Deed of Trust, or which contests the County's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the County's authorization, execution and delivery of the Agreement or the Deed of Trust, or the County's authority to carry out its obligations thereunder or which would have a material adverse impact on the County's condition, financial or otherwise. In addition, to the best of the knowledge of the Corporation, no litigation is now pending or threatened against or affecting the Corporation which seeks to restrain or enjoin the authorization, execution or delivery of the 2023 Bonds, the Trust Agreement or the Agreement or which contests the validity or the authority or proceedings for the adoption, authorization, execution or delivery of the 2023 Bonds 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 2023 Bonds, the Trust Agreement or the Agreement, or the Corporation's authority to carry out its obligations thereunder.

### **OPINIONS OF COUNSEL**

Legal matters related to the execution and delivery of the 2023 Bonds are subject to the approval of Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, Bond Counsel. Certain legal matters will be passed on for the County by the County Attorney and for the Corporation by its counsel, Brett J. DeSelms, Esq., Jacksonville, North Carolina, and for the Underwriters by their counsel, Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina. The opinion of Robinson, Bradshaw & Hinson, P.A., as Bond Counsel, substantially in the form set forth in Appendix D hereto, will be delivered at the time of the delivery of the 2023 Bonds.

Bond Counsel and Parker Poe Adams & Bernstein LLP, counsel to the Underwriters, have represented the Underwriters from time to time as counsel in other financing transactions. Neither the

County nor the Underwriters have conditioned the future employment of either of these firms in connection with any proposed financing issues for the County or for the Underwriters on the successful execution and delivery of the 2023 Bonds.

## TAX TREATMENT

**General.** The opinion of Bond Counsel will state that (a), under existing law and subject to compliance with the provisions of the Code, the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in computing the alternative minimum tax on certain corporations to the extent such interest is included in the “adjusted financial statement income” of such corporations and (b) under existing law, the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is exempt from State of North Carolina income taxes.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the execution and delivery of the 2023 Bonds in order for the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds to be and remain excludable from gross income for purposes of federal income taxation. Examples include: the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2023 Bonds to the United States Treasury; restrictions on investment of such proceeds and other amounts; and restrictions on the ownership and use of the facilities refinanced with proceeds of the 2023 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the County and the Corporation subsequent to the execution and delivery of the 2023 Bonds to maintain the exclusion of the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds from income for federal income taxation purposes. Failure to comply with certain of such requirements may cause the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds to be included in gross income retroactively to the date of execution and delivery of the 2023 Bonds. The County and the Corporation have covenanted to comply with these requirements. The opinion of Bond Counsel delivered on the date of the execution and delivery of the 2023 Bonds will be conditioned on the compliance by the County and the Corporation with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the execution and delivery of the 2023 Bonds.

Prospective purchasers of the 2023 Bonds should be aware that ownership of the 2023 Bonds may result in collateral federal, state or local tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2023 Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences. Prospective purchasers of the 2023 Bonds should consult their tax advisors regarding collateral tax consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel’s

professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds under federal or state law and could affect the market price or marketability of the 2023 Bonds.

***Original Issue Discount.*** The original issue discount in the selling price of each 2023 Bond maturing on December 1, 2040 to 2043, inclusive, to the extent properly allocable to each owner of such 2023 Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated prepayment price at maturity of such 2023 Bond over its initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the 2023 Bonds of such maturity were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to any owner of a 2023 Bond during any accrual period generally equals (i) the issue price of such 2023 Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such 2023 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable with respect to such 2023 Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such 2023 Bond. Purchasers of any 2023 Bond at an original issue discount should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes, and with respect to state and local tax consequences of owning such 2023 Bond.

***Original Issue Premium.*** The 2023 Bonds maturing on December 1, 2024 to 2039, inclusive, have been sold at initial public offering prices that are in excess of the amount payable at maturity. An amount equal to the excess of the purchase price of a 2023 Bond over its stated prepayment price at maturity constitutes premium on such 2023 Bond. A purchaser of a 2023 Bond must amortize any premium over such 2023 Bond's term using constant yield principles, based on such 2023 Bond's yield to maturity. As premium is amortized, the purchaser's basis in such 2023 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such 2023 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any 2023 Bond at a premium, whether at the time of initial execution or delivery or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes, and with respect to state and local tax consequences of owning such 2023 Bond.

## **CONTINUING DISCLOSURE OBLIGATION**

In the Agreement, the County has undertaken, for the benefit of the beneficial owners of the 2023 Bonds, to provide to the Municipal Securities Rulemaking Board (the "*MSRB*"):

- (a) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2023, audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven

months from the end of such fiscal year, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

- (b) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2023, (i) 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 “--**DEBT INFORMATION**” and “--**TAX INFORMATION**” in Appendix A to this Official Statement (excluding any information on overlapping or underlying units) and (ii) 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 in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the 2023 Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on any debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
  - (5) substitution of credit or liquidity providers, or their failure to perform;
  - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2023 Bonds, or other material events affecting the tax status of the 2023 Bonds;
  - (7) modification to the rights of the beneficial owners of the 2023 Bonds, if material;
  - (8) call of any of the 2023 Bonds for prepayment, if material, and tender offers;
  - (9) defeasance of any of the 2023 Bonds;
  - (10) release, substitution or sale of any property securing repayment of the 2023 Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the County, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer of the County in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization,

arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County;

- (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (14) appointment of a successor or additional Trustee or the change of name of a Trustee, if material;
  - (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect securities holders, if material; and
  - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties; and
- (d) in a timely manner, notice of a failure of the County to provide required annual financial information described in (a) or (b) above on or before the date specified.

All information provided to the MSRB as described herein will be provided in an electronic format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

For purposes of this undertaking, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934 (“*Rule 15c2-12*”).

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 United States Securities and Exchange Commission.

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

The Agreement also provides that, if the County fails to comply with the undertaking described above, any beneficial owner of 2023 Bonds then Outstanding may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an event of default and shall not result in any acceleration of payment of the Installment Payments. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the 2023 Bonds.

Pursuant to the Agreement, the County reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the County, provided that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with the County (such as the Trustee or nationally recognized bond counsel) or by the approving vote of the Owners of a majority in principal amount of the 2023 Bonds then Outstanding pursuant to the terms of the Trust Agreement, 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 is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate on payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the Installment Payments with respect to all the 2023 Bonds.

For both the County's 2020 and 2022 fiscal years, audited financial results were not complete as of January 31<sup>st</sup> of the following calendar year, the date upon which the County was required to make its annual continuing disclosure filing of the prior fiscal year's audited financial results. In both years, the County posted supplemental financial information but did not post unaudited financial results, as required by its continuing disclosure undertaking. The County posted 2020 audited financials on April 16, 2021 and posted 2022 audited financials on April 24, 2023 and has since posted a failure to file notice related to the unaudited results for both FY2020 and FY2022. Otherwise, over the past five years, the County has, to the best of its knowledge, complied in all material respects with its continuing disclosure obligations pursuant to Rule 15c2-12.

## **UNDERWRITING**

The Underwriters have agreed under the terms of a Bond Purchase Agreement (the "*Purchase Agreement*") to purchase all of the 2023 Bonds, if any of the 2023 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount of the 2023 Bonds, plus a net original issue premium of \$4,302,446.05, and less an Underwriters' discount of \$179,748.50. The Underwriters' obligation to purchase the 2023 Bonds is subject to certain terms and conditions set forth in the Purchase Agreement.

PNC Capital Markets LLC may offer to sell to its affiliate, PNC Investments, LLC ("*PNCI*"), securities in PNC Capital Markets LLC's inventory for resale to PNCI's customers. PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has banking and financial relationships with the County.



## **FINANCIAL ADVISOR**

Davenport & Company LLC, Charlotte, North Carolina, is serving as Financial Advisor to the County in connection with the execution and delivery of the Agreement.

## **RATINGS**

Moody's and S&P have assigned their respective ratings to the 2023 Bonds set forth on the front cover, which long-term ratings are based on information regarding the County. Further explanation of the significance of such ratings may be obtained from Moody's and S&P. The County has provided to Moody's and S&P certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the 2023 Bonds and should be evaluated independently. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of Moody's or S&P, circumstances so warrant. Neither the County nor the Underwriters have any responsibility to either bring to the attention of Owners of the 2023 Bonds any proposed revision or withdrawal of the ratings or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2023 Bonds.

## **MISCELLANEOUS**

All quotations from and summaries and explanations of the Agreement, the Deed of Trust and the Trust Agreement contained herein or in Appendix C hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement. Copies in reasonable quantity of the Agreement, the Deed of Trust and the Trust Agreement may be obtained during the offering period from PNC Capital Markets LLC at 4720 Piedmont Row, Suite 200, Charlotte, North Carolina 28210, Attention: David Fischer.

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

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## **APPENDIX A**

### **THE COUNTY OF ONSLOW**

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## APPENDIX A

### THE COUNTY OF ONSLOW

Situated on the lower Coastal Plain of southeastern North Carolina, the County is bordered by Pender County to the south, Duplin County to the west, Lenoir and Jones counties to the northwest and north, and the Atlantic Ocean to the east. The County has a flat, gently rolling terrain and covers a total of 767 square miles encompassing approximately 484,000 acres, of which about 147,000 acres comprise the Camp Lejeune Marine Corps Base and the New River Marine Corps Air Station and are owned by the federal government. Approximately 48,000 acres are in Hofmann Forest and are owned by the North Carolina Forestry Foundation, Inc., and approximately 31,000 acres are in incorporated or urban areas.

There are six municipalities within the County, the largest being the City of Jacksonville (the “City”), which serves as the County seat. The City and the areas surrounding the City comprise the major population center and growth area in the County. The North Carolina Office of State Budget and Management estimates the City’s 2021 population (most recent data available) at 71,729.

Other incorporated areas in the County include the predominately agriculturally-oriented Town of Richlands to the northwest and the seafood-producing Town of Swansboro to the east on the coast. The Town of Holly Ridge to the south is primarily a residential community. Located only minutes from Holly Ridge is Topsail Island. This 26-mile island, approximately the northern third of which is in the County, is changing with the development of the resort towns of North Topsail Beach and Surf City.

The County is a part of the Jacksonville Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau, that contains only Onslow County, anchored by the County seat of Jacksonville. Population data in the MSA tracks that of the County.

#### DEMOGRAPHIC CHARACTERISTICS

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

<u>2000</u>	<u>2010</u>	<u>2020</u>
150,355	177,772	204,576

The North Carolina Office of State Budget and Management estimates the County’s 2021 population (most recent data available) at 206,530. The County is the thirteenth most populous County in the State.

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

<u>YEAR</u>	<u>COUNTY</u>	<u>STATE</u>	<u>U.S</u>
2017	\$42,121	\$44,591	\$51,550
2018	43,628	46,352	53,786
2019	44,307	48,741	56,250
2020	46,972	51,900	59,765
2021	50,869	56,173	64,143

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

## COMMERCE, INDUSTRY AND INSTITUTIONS

The County's employment base has traditionally been comprised of military, agriculture and an expanding tourism industry over the last ten years.

**Military.** Camp Lejeune is the largest Marine Corps installation on the East Coast and occupies 246 square miles. For the federal fiscal year 2021, the Marine Corps estimated that Camp Lejeune and New River Air Station contributed \$6.0 billion to the local economy of the County and surrounding areas in the form of annual payroll to military, civilian employees and retirees, material, supply and service contracts, healthcare for service members and families and on-base construction. Camp Lejeune is the home of Marine Corps Installations East which is the regional command for Marine Corps bases located on the East Coast. This command includes air stations and logistics bases. The bases also house a full component of Navy and Coast Guard personnel associated with port security as the base provides intensive training in shoreline operations.

The following installations are based at Camp Lejeune: II Marine Expeditionary Force, 2nd Marine Division, 2nd Marine Logistics Group, US Marine Corps Forces Special Operations Command ("*Special Operations Command*"), 2nd Expeditionary Brigade and II Marine Expeditionary Force Augmentation Command. Camp Lejeune is also the home of a Coast Guard Special Missions Training Center. Its mission is to train Marine Safety and Security Teams, port security units and law enforcement detachments. Marine Corps Air Station, New River is the home of the Marine Tilt Rotor Test and Evaluation Squadron and Marine Tilt Rotor Training Squadron for the V-22 Osprey as well as the home for all Marine rotor aircraft.

County population levels and economic activity have generally remained steady through the significant military troop deployments of the last several years. Several programs to support military dependents have successfully encouraged more dependents to remain in the community during deployments of family members. Changes in troop rotation schedules and practices have also had the effect of reducing the effects of deployments on the County. With the end of the Iraq conflict and the winding down of the conflict in Afghanistan, there likely will be fewer deployments and more troops continue to remain in garrison at Camp Lejeune and New River Air Station.

The County's bases benefitted from Base Realignment and Closing Commission recommendations, which were approved in 2005. Several units have been relocated to Camp Lejeune and New River Air Station since 2005 and the infrastructure of the bases has been extensively upgraded with a combined \$3.53 billion worth of military construction since the fiscal year ended June 30, 2008. This growth in the bases has brought approximately 11,500 new jobs for active duty service members and civilian employees to the area.

The Special Operations Command, which reports directly to Central Command, is expected to continue growing over the next few years as the role of highly specialized clandestine operations in the U.S. military's activities increases. Currently, Camp Lejeune's military population remains stable at approximately 45,000 and is expected to remain at this number for the foreseeable future.

**Agriculture, Timberland and Fishing.** Agriculture remains a major economic factor in the County with gross agricultural income for 2019 (the latest date for which information is available) estimated at approximately \$117.8 million. Four major crops include corn, soybeans, wheat and cotton at a combined total of \$20.1 million. The livestock industry continues to play a dominant role in farm income with a combined total of \$94.6 million. Poultry and pork production account for the majority of this. The total of agricultural products sold in 2021 was reported at approximately \$155.2 million. There are approximately 343,924 acres of timberland in the County. The estimated income for stumpage (price paid to the timber owner for standing timber) for 2021 (the latest date for which information is available)

was \$9.4 million. For the same period the estimated income for delivered timber (price paid to the timber buyer upon delivery of the timber to the mill) was \$18.1 million.

The seafood industry has always been an integral part of the County's economy. In 2020 (the latest date for which information is available), the dockside value of seafood was approximately \$3.5 million.

***Tourism and Retail.*** Tourism continues to be a growing industry for the County. It is estimated that the local tourism industry generates more than \$84 million in wages for approximately 2,197 full time employees. Visitors to the County spent an estimated \$338.49 million in 2021 (the latest date for which information is available). The County was ranked 18<sup>th</sup> in total visitor spending among North Carolina's 100 counties. Finally, the City is a trade center and attracts shoppers from surrounding counties.

***Industrial Park.*** The County is marketing its 730-acre Burton Industrial Park located on U.S. Highway 258 and within a 10-minute drive of Albert J. Ellis Airport, which serves the county. Businesses currently operating in Burton Industrial Park include Cape Fear Precast, LLC, Excel 10 Learning Center, ABC Supply Company Inc., S.T. Wooten Corporation, RQ Construction, and Eastern Regional Skills Center. The County completed construction of a government center at the Burton Industrial Park in December 2014. The Camp Davis Industrial Park is primarily intended to accommodate a wide range of assembling fabricating, manufacturing, and distribution activities. Phase I of the Camp Davis Industrial Park sold out by 2021 and has tenants including Gulfstream Steel & Supply, Blue Water Candy, Atlantic Seafood, Onslow Bay Boatworks, Highland Paving, and Crete Solutions. In March 2022, the Town of Holly Ridge broke ground on Camp Davis Industrial Park Phase II. The following table lists the major employers in the County:

COMPANY OR INSTITUTION	PRODUCT OR SERVICE	APPROXIMATE NUMBER OF EMPLOYEES
US Department of Defense, Marine Corps Air Station New River	Military Installation	1000+
Onslow County Board of Education	Public Education	1000+
Marine Corps Exchange Service	Military Support	1000+
Wal-Mart Associates, Inc.	Retail	1000+
Onslow County Government	Local Government	1000+
Onslow Memorial Hospital	Healthcare	1000+
Food Lion	Grocery	500-999
Coastal Carolina Community College	Education	500-999
City of Jacksonville	Local Government	500-999
Concentrix/Convergys Customer Management Group	Customer Call Center	500-999

Source: Statistical Section, County's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

Total taxable sales for the County for the five fiscal years ended June 30, 2018 through 2022 and the eight-month period ended February 28, 2023 are shown in the following table:

<b>FISCAL YEAR ENDED JUNE 30</b>	<b>TOTAL TAXABLE SALES<sup>1</sup></b>	<b>INCREASE (DECREASE) OVER PREVIOUS YEAR</b>
2018	\$2,043,208,023	3.1%
2019	2,378,779,026	16.4
2020	2,422,634,291	1.8
2021	2,958,883,309	22.1
2022	3,238,292,518	9.4
2023 (8 months) <sup>2</sup>	2,300,797,994	--

<sup>1</sup> State and local sales taxes are not collected with respect to sales at Camp Lejeune and New River Air Station. County residents residing at New River Air Station and the portion of Camp Lejeune located within County limits are included in the State's formula for distribution of sales tax revenues.

<sup>2</sup> Total taxable sales for the eight-month period ended February 28, 2023. The comparable figure for the eight-month period ended February 28, 2022 was \$2,132,092,876.

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

Construction activity in the County is indicated by the following table which shows the number and value of building permits issued in the County in the years shown.

<b>FISCAL YEAR ENDED JUNE 30</b>	<b>COMMERCIAL/INDUSTRIAL</b>		<b>RESIDENTIAL</b>		<b>TOTAL VALUE</b>
	<b>NUMBER</b>	<b>VALUE</b>	<b>NUMBER</b>	<b>VALUE</b>	
2018	621	\$23,396,615	2,977	\$116,900,568	\$140,297,183
2019	682	26,170,704	4,208	135,725,718	161,896,422
2020	695	107,801,669	4,437	165,274,684	273,076,353
2021	602	20,551,158	5,311	207,787,497	228,338,655
2022	623	16,235,801	5,373	215,306,120	231,541,921

Source: County and City Inspections Departments.

## EMPLOYMENT

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

	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
January	5.1%	4.6%	6.2%	4.0%	4.2%	July	5.0%	8.8%	5.8%	4.4%
February	4.7	4.3	6.0	4.0	4.1	August	4.9	6.2	5.3	4.5
March	4.6	5.3	5.6	3.8	4.0	September	4.1	5.8	4.3	3.9
April	4.1	13.7	5.2	3.8	N/A	October	4.4	5.1	4.4	4.6
May	4.6	11.3	5.5	4.2	N/A	November	4.2	5.4	3.9	4.5
June	4.9	9.3	6.0	4.7		December	4.1	5.8	3.4	3.7

Source: North Carolina Employment Security Commission.



Note: The North Carolina Employment Security Commission does not include active service members in calculating employment levels. Discharged service members, however, are eligible for unemployment benefits and included in the Commission's calculations. Additionally, military spouses collecting unemployment benefits from another state are automatically included in the calculation upon their service member's assignment to a base in the State.

## GOVERNMENT AND MAJOR SERVICES

**Government Structure.** The governing body of the County is a five-member Board of Commissioners (the "*Board of Commissioners*"). Members are elected on a partisan basis at-large for four-year coincident terms. The Board of Commissioners appoints a County Manager who is responsible for the administration of County affairs and policies established by the Board of Commissioners and coordination of the various County departments.**Education.** The Onslow County School System consists of a total of 40 educational facilities (22 elementary schools, 8 middle schools, 7 high schools, an early childhood development center, the Eastern North Carolina Regional Skills Center, and an alternative learning center). There are also non-traditional educational settings including K-5 and 6-12 virtual schools and an Early College school housed on the campus of Coastal Carolina Community College. Other than the schools run by the Department of Defense, the school system is the sole school administrative unit in the County. The Onslow County Board of Education is entrusted with the authority for administering state regulations and policies regarding schools as established by the North Carolina State Board of Education. The board of education consists of seven members elected at-large for four-year staggered terms and appoints a superintendent to manage and coordinate educational programs. The State provides funding for a basic minimum educational program which is supplemented by the County and federal governments. This minimum program provides funds for operational costs only, while financing of public school facilities has been a joint State and County effort. Thus, local financial support is provided by the County for capital and operating costs which are not provided for by the State or federal government.

For the 2022-23 school year, the school system employed approximately 4,000 persons including instructional and support staff. The following table reflects the number of schools and average daily membership (ADM) for the school system.

SCHOOL YEAR	ELEMENTARY (K-5)*		MIDDLE (6-8)*		HIGH (9-12)*	
	NUMBER	ADM <sup>1</sup>	NUMBER	ADM <sup>1</sup>	NUMBER	ADM <sup>1</sup>
2017-18	20	13,514	8	5,645	8	7,327
2018-19	20	13,382	8	6,103	8	7,154
2019-20	20	13,125	8	6,525	8	7,139
2020-21	21	12,234	9	6,579	9	7,329
2021-22	22	13,002	9	6,435	9	7,597

<sup>1</sup>Average daily membership or "ADM" (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments.

\*The Onslow Virtual School has been both a K-12 setting and divided into K-5 and 6-12 settings. Total number of schools includes both traditional schools and other educational facilities as described in this section.

There is a separately-administered school system at Camp Lejeune for the education of military dependents residing on base. There are seven schools in the Camp Lejeune system and a total of approximately 2,700 students enrolled at these schools. No County funds are allocated for the support of this school system. The system is administered by a superintendent recommended by a separate board of education for the Camp Lejeune system and selected by the Director, Department of Defense Domestic

Elementary and Secondary Schools. The board of education, elected by parents of children attending the schools, has oversight responsibilities for educational policies, procedures, and programs.

Coastal Carolina Community College is located in the County and offers continuous education from achievement of high school diploma to graduation in technical, vocational or two-year college transfer programs. The college is governed by a twelve-member Board of Trustees and had 5,026 curriculum students for the 2020-2021 academic year. Coastal Carolina Community College receives the major portion of its operating expense funds from federal and State sources. The capital outlay is funded primarily from State and County sources.

**Transportation.** The County is accessible by air and two major U.S. highways. The County-owned and operated Albert J. Ellis Airport (the “*Airport*”) is an FAA Class I certificated Part 139 commercial service airport that features a 7,100’ x 150’ paved and lighted runway with all-weather capability including a CAT I instrument landing system and modern GPS/LPV approaches. The Airport is currently served by two airlines, American Airlines (formerly US Airways) and Delta Air Lines. American Airlines operates nine daily express flights to its hubs in Charlotte and Washington, D.C., and Delta Air Lines offers five daily flights to Atlanta. In 2015, passengers were being received at a new, two-story terminal. A state-of-the-art air traffic control tower was completed in November 2018 and in 2021, a \$29 million grant was awarded for the expansion of the runway and realignment of area roadways. More than 344,000 passengers use the Airport annually.

A major north-south highway, U.S. Highway 17, traverses the County. The County is also served by U.S. Highway 258 and N.C. 24 and 53. The State Department of Transportation continues the widening of U.S. Highway 17 from Jacksonville to Wilmington and from Jacksonville to New Bern, with plans for the widening from the Virginia line to the South Carolina line.

Public transportation service within the County consists of regional Greyhound bus service as well as fixed-route urban service provided by the City known as Jacksonville Transit and demand-response medical service provided by Onslow United Transit System. Jacksonville Transit is funded through a federal, state and local partnership that facilitates operation of two fixed routes seven days a week and two express service routes on the weekends. Jacksonville Transit also provides a complementary para-transit service for individuals who are unable to use the local fixed-route service. Jacksonville Transit’s annual ridership averaged approximately 88,000 over the last five years.

In addition to being served by several motor freight lines, the County is approximately 50 miles from the City of Wilmington, North Carolina, a major port on the eastern seaboard, and 35 miles from the port in Morehead City, North Carolina.

**Human Services.** Programs in the County designated to provide human services to the citizens are operated under the auspices of the Social Services, Health, Council on Aging, and Youth Services Departments and other human services programs. Total appropriations in the 2022-23 budget for these services are \$47.9 million. Of this amount 43.05% is provided by the County and 56.95% from user fees, State and federal funds, and other grants and contributions. Effective July 1, 2015, CoastalCare and East Carolina Behavioral Health merged to become Trillium Health Resources. The change was necessitated by a change in state law that has increased the minimum population area authorities must serve. Trillium Health Resources manages behavioral healthcare services for 24 counties in Eastern North Carolina from Brunswick County in the south east to Northampton County in the north east. The County provides financial support to Trillium Health Resources.

The County owns Onslow Memorial Hospital, a 162-bed facility. The hospital is governed by the Onslow Hospital Authority, a 13-member board appointed to staggered terms by the County’s Board of Commissioners. The hospital authority also provides medical care to area residents through its Onslow Ambulatory Services clinics and surgery center. Specialized services include dermatology, pediatrics,

neurosurgery, cardiology, geriatrics, neonatal intensive care, and radiology. A Heartburn Center and a Sleep Lab are also available.

Brynn Marr Psychiatric Hospital and the Naval Hospital at Camp Lejeune are also located in the County.

**Public Service Enterprises.** The County and the municipalities within the County have formed the Onslow Water and Sewer Authority (“ONWASA”) to assume a lead role in operating and expanding public water and sewer service within the County. The County turned over operations of its water and sewer system to ONWASA on July 1, 2005 through a series of agreements that transferred its public water and sewer system assets to ONWASA pursuant to a long-term lease, in exchange for a payment from ONWASA to retire the County’s water and sewer-related debt. Municipalities in the County have entered or will enter into separate contracts with ONWASA; some may have agreements to convey assets similar to the County’s agreements, and others may be only wholesale customers of ONWASA. ONWASA has partnered with Camp Lejeune to secure waste water treatment capacity totaling 5 million gallons. Also within the County, the City and Swansboro provide public water and sewer service. Camp Lejeune provides its own service on the base. The County operates a Subtitle D landfill, which is currently in the last year of its estimated useful life. For the fiscal year ended June 30, 2022, the landfill accepted over 141,452 tons of waste, including construction and demolition debris. The landfill also accepted 5,510 tons of land clearing and inert debris material. All this waste was generated within the County since the landfill facility is not presently permitted to accept waste from outside the County borders. The County also transports solid waste from 10 common collection locations located remotely throughout the County. Camp Lejeune is responsible for the disposal of its own solid waste and is not permitted to bring any waste to the County landfill.

The County has begun the lateral and vertical expansion of the Subtitle D landfill. This is a multi-year project to construct five cells over five construction stages. The first cell is under construction and has an estimated cost of \$6.7 million. Once all five cells are completed, the landfill will provide disposal capacity for the County past 2040. This estimate will vary depending on County growth, economic factors, public recycling efforts as well as catastrophic events generating large amounts of debris. Based on the Airspace Analysis, with total remaining permitted landfill airspace for phases 4-9, the expansion is projected to be complete in approximately 23 years.

The County’s Material Recovery Facility (MRF) is operated by SONOCO Recycling. SONOCO has completed a \$2.0 million upgrade to the facility. This includes building and site improvements and most notably, installation of a state-of-the-art automated sorting and processing system. This facility receives mixed clean recyclables such as newspaper, all plastics #1 through #7, and glass. Since beginning operations in November 2011, SONOCO has reached full processing capacity and handles over 40,000 tons of materials annually at the MRF thus removing these items from the waste stream and further preserving Subtitle D landfill space.

**Other County Services.** The County owns and operates ten parks, two natural parks, two bicycle routes, two paddle trails, and four beach access areas under the direction of its Recreation Department. Future plans call for continued improvements to all facilities and construction of additional district parks. The County has a long-term lease of property for 373 acres of land in the Hofmann Forest. This area is used as a nature park.

The County’s emergency operations center houses the daily operations of the Emergency Management Department, EMS administration, and E911 communications. This facility operates as the Emergency Operations Center in times of emergencies such as hurricanes and is built to withstand a category 5 storm.

The City provides fire protection to its residents. Fire protection in the other municipalities and the unincorporated areas of the County is provided by 19 volunteer fire departments. The County provides 24 hour emergency medical service at the paramedic level from units stationed at six locations within the County. This service is supplemented by seven volunteer rescue units, which provide basic life support services, and a special incident response team.

## 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 the approximate amount of \$1,408,165,000 as of June 30, 2022. **Outstanding General Obligation Debt.**

GENERAL OBLIGATION BONDS	PRINCIPAL OUTSTANDING AS OF			
	JUNE 30, 2019	JUNE 30, 2020	JUNE 30, 2021	JUNE 30, 2022
School Bonds	\$44,440,000	38,770,000	33,135,000	\$27,510,000

### General Obligation Debt Ratios.

AT JUNE 30	TOTAL GO DEBT	ASSESSED VALUATION	TOTAL GO DEBT TO ASSESSED VALUATION	POPULATION <sup>1</sup>	TOTAL GO DEBT PER CAPITA	TOTAL ASSESSED VALUE PER CAPITA
2018	\$50,140,000	\$13,990,677, 837	0.36%	198,740	\$253.20	\$70,651
2019	44,440,000	14,301,888,368	0.31	203,718	218.14	70,204
2020	38,770,000	14,462,298,228	0.27	204,778	189.33	70,624
2021	33,135,000	15,037,814,136	0.22	206,530	160.44	72,812
2022	27,510,000	15,541,771,477	0.18	206,530 <sup>2</sup>	133.20	75,252

<sup>1</sup>Estimated by North Carolina Office of State Budget and Management and the U.S. Census Bureau.

<sup>2</sup>2021 population estimate.

### General Obligation Debt Service Requirements.

FISCAL YEAR	EXISTING GENERAL OBLIGATION DEBT	
	PRINCIPAL	PRINCIPAL & INTEREST
2022-23	\$5,630,000	\$6,790,150
2023-24	5,650,000	6,528,150
2024-25	5,645,000	6,259,575
2025-26	4,810,000	5,182,000
2026-27	3,925,000	4,078,625
2027-28	1,850,000	1,877,750
	<u>\$27,510,000.00</u>	<u>\$30,716,250.00</u>

### General Obligation Bonds Authorized and Unissued.

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

**General Obligation Debt Information for Underlying Units as of June 30, 2022.**

UNIT	2021 POPULATION <sup>1</sup>	ASSESSED VALUATION <sup>3</sup>	TAX RATE PER \$100	BONDS AUTHORIZED AND UNISSUED		TOTAL GO DEBT		TOTAL GO DEBT PER CAPITA
				UTILITY	OTHER	UTILITY	OTHER	
Jacksonville	71,729	\$3,765,961,357	\$0.6420	-	-	-	-	-
Holly Ridge	4,503	474,069,580	0.3800	-	-	-	\$49,000	\$10.88
North Topsail Beach	1,037	991,637,133	0.6420	-	-	-	-	-
Richlands	2,307	166,339,247	0.4000	-	-	-	-	-
Surf City <sup>2</sup>	4,191	1,641,978,003	0.4100	-	-	-	-	-
Swansboro	3,904	539,528,406	0.3500	-	-	-	-	-

<sup>1</sup>Estimated by the Office of State Budget and Management.

<sup>2</sup>Multi-county town population estimate of North Carolina Office of State Budget and Management: Onslow County 8.18%; Pender County 91.82%.

<sup>3</sup>Source - N.C. Department of Revenue, for fiscal year 2021-22.

**Other Long-Term Commitments.** The County has entered into a number of installment financing agreements, including several installment financing agreements relating to certificates of participation and limited obligation bonds which have been used to finance and refinance the construction of an elementary school, a new justice complex that includes a jail and sheriff offices and various County administrative facilities, the acquisition of communications equipment and airport improvements. The County has also borrowed funds from the Global Transpark for the purchase of land for the construction of an industrial park. These agreements are shown on the financial statements included as Appendix B attached hereto in the long-term debt group of accounts. The County is obligated under these agreements as follows:

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2022-23	\$ 14,690,000	\$ 7,115,709	\$ 21,805,709
2023-24	14,660,000	6,508,109	21,168,109
2024-25	15,020,000	5,912,629	20,932,629
2025-26	14,655,000	5,257,299	19,912,299
2026-27	13,315,000	4,608,369	17,923,369
2027-28	13,300,000	4,007,144	17,307,144
2028-29	10,090,000	3,432,694	13,522,694
2029-30	10,080,000	3,013,531	13,093,531
2030-31	10,080,000	2,569,409	12,649,406
2031-32	10,080,000	2,175,881	12,255,881
2032-33	10,075,000	1,737,581	11,812,581
2033-34	7,930,000	1,278,131	9,208,131
2034-35	7,935,000	940,250	8,875,250
2035-36	5,325,000	614,150	5,939,150
2036-37	5,325,000	415,400	5,740,400
2037-38	3,045,000	269,225	3,314,225
2038-39	3,040,000	161,475	3,201,475
2039-40	3,040,000	53,825	3,093,825
<b>TOTAL</b>	<b>\$171,685,000</b>	<b>\$50,070,808</b>	<b>\$221,755,808</b>

**Debt Outlook.** Some of the County's facilities are in need of major renovation or replacement. The County has continued to refine its capital improvement program to provide for orderly construction and funding of these projects. During the fiscal year ended June 30, 2022, the County continued the funding of a capital reserve fund to cover some capital costs and to provide funds to cover future debt

payments without the need for significant changes in the tax rate following the issuance of debt to fund some of the projects. **TAX INFORMATION**

***General Information.***

	<b>FISCAL YEAR ENDED (ENDING) JUNE 30</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>4</sup></b>
Assessed Valuation:				
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%
Real Property	\$12,113,042,695	12,465,365,674	\$12,780,184,965	\$17,470,163,006
Personal Property	925,957,021	950,126,950	2,342,961,066	2,584,984,651
Public Service Companies <sup>2</sup>	1,423,298,512	1,622,321,512	421,948,937	362,845,769
Total Assessed Valuation	\$14,462,298,228	\$15,037,814,136	\$15,545,094,968	\$20,417,993,426
Total Assessed Value Per Capita				
Rate per \$100	0.705	0.705	0.705	0.655
Levy <sup>3</sup>	\$101,959,203	\$106,016,590	\$109,592,920	\$133,737,857

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

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

<sup>3</sup>The levy includes interest and penalties.

<sup>4</sup>Estimated.

Note: Revaluation of real property became effective with the 2023 tax levy. The next revaluation is currently scheduled for 2026 to become effective with the 2027 tax levy.

***Tax Collections.***

<b>FISCAL YEAR ENDED JUNE 30 (IN THOUSANDS)</b>	<b>LEVY</b>	<b>CURRENT YEAR'S LEVY COLLECTED</b>	<b>PERCENTAGE OF CURRENT YEAR'S LEVY COLLECTED</b>
2020	\$101,959	\$100,744	98.81%
2021	106,017	105,018	99.06
2022	109,593	108,988	99.45
2023 (10 months)	133,738	130,362	97.48

***Ten Largest Taxpayers For Fiscal Year Ended June 30, 2022.***

NAME	TYPE OF BUSINESS	ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
Jones Onslow EMC	Public utility	\$160,406,214	1.07%
Duke Energy Progress	Public utility	108,421,817	0.72
PR Jacksonville LP	Real estate	56,289,856	0.37
Wal Mart Real Estate Business Trust	Real estate	43,964,304	0.29
Spectrum Southeast	Public utility	36,979,529	0.25
Bailey & Fuller Properties LLC	Real estate	30,089,846	0.20
Triangle Palisades at Jacksonville LLC	Real estate	29,891,869	0.20
Stanadyne Corporation	Manufacturing	26,597,489	0.18
Evolve at Stones Bay LLC	Real estate	26,163,758	0.17
Williamsburg Place Holding Company	Real estate	23,231,056	0.15
<b>TOTAL</b>		<b>\$542,035,729</b>	<b>3.60%</b>

Source: Statistical Section, County's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022.

**2022-23 Budget Commentary.** The County adopted a General Fund budget totaling \$258.2 million for the fiscal year ending June 30, 2023. The projected revenue increased \$21.7 million over FY 22 budgeted revenues in the amount of \$236.6 million. The increase is comprised of a projected budgeted increase of \$22.5 million in property taxes and \$1.8 million in sales tax. The County increased the fund balance appropriation in the amount of \$10.6 million. The increase in appropriations over FY 22 was the result of an increased demand for County services such as EMS, the Sheriff's Office, DSS, and health services as well as increased funding for fire services and school capital.. As of May 25, 2023, the County has collected 92.16% of budgeted revenues and spent 70.94% of budgeted expenditures.

**2023-24 Budget Outlook.** On May 15, 2023, County management proposed a General Fund budget of \$283.8 million for the fiscal year ending June 30, 2024, representing a 10.53% increase over the previous year's budget. The proposed budget assesses an ad valorem property tax rate of \$0.655 per \$100 of assessed valuation. The priorities in the proposed budget for the fiscal year ending June 30, 2024 were not raising property taxes; maintaining a quality workforce; recruiting, hiring, training, and retaining top talent; enhancing the quality of life for County residents by investing in quality educational facilities, recreational opportunities, and cultural resources; and investing in the safety of County residents by providing the necessary resources to support public health, public safety, and the general welfare of the community.

## **PENSION PLANS**

The County participates in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan. For information concerning the County's participation in various pension plans and its other retirement benefits, see the Notes to the County's Audited Financial Statements in Appendix B.

## **OTHER POST-EMPLOYMENT BENEFITS**

The County is self-insured for health insurance and provides post-employment benefits (“OPEB”) for certain retired employees of the County. The County funds 100% of the cost of the retirees’ health insurance for those employees who retire with full or reduced benefits with at least ten years of continuous service immediately before retirement. Funds are appropriated each year to meet the obligation on a pay-as-you-go basis. Employees are also allowed to purchase coverage for their dependents at the County’s group rate.

To evaluate the impact of meeting the reporting requirements of GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective for the County for the fiscal year ended June 30, 2021, the County obtained an actuarial valuation of its OPEB based on data as of June 30, 2021. The actuarial valuation quantified a total liability of \$20,720,525 to be amortized over 20]years. The OPEB expense for the fiscal year ended June 30, 2022 is \$98,619. The valuation was completed using a 2.16% discount rate.

The County paid OPEB of approximately \$990,000 net of retiree contributions, for the fiscal year ended June 30, 2022. The County discontinued offering OPEB to employees hired after July 1, 2009. Any employee hired before July 1, 2009 was grandfathered in to receive OPEB.



**APPENDIX B**

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

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# ONSLow COUNTY, NORTH CAROLINA

## Management's Discussion and Analysis

June 30, 2022

As management of Onslow County, we offer readers of Onslow County's financial statements this narrative overview and analysis of the financial activities of Onslow County for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

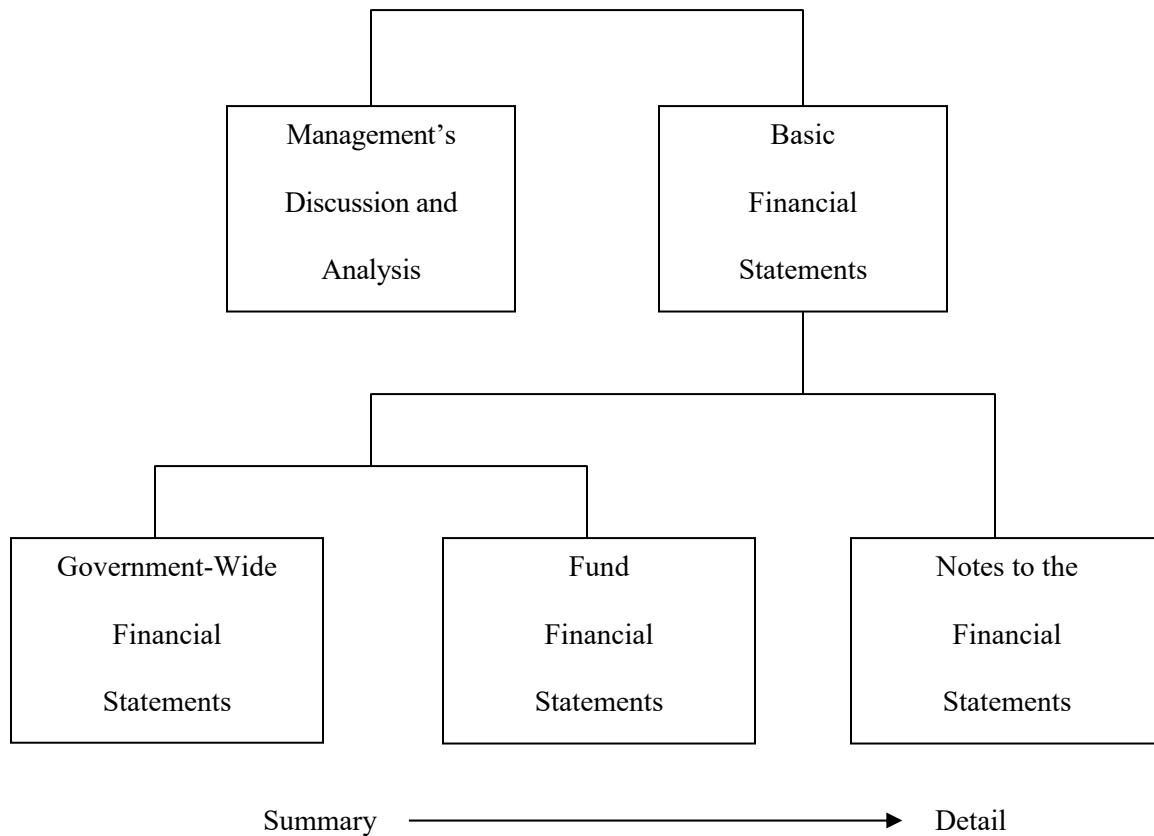
- The assets and deferred outflows of resources of Onslow County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$134,064,486 (*net position*).
- The County's total net position increased by \$47,987,395. Net position in the governmental activities increased by \$38,964,059. This increase was primarily due to an increase in sales tax and property tax revenues as well as a commitment to maintain or reduce expenditures where possible. Net position in the business-type activities increased by \$9,023,336. This increase was primarily due to a rise in post-COVID air travel and higher local demand for landfill services.
- As of the close of the current fiscal year, Onslow County's governmental funds reported combined ending fund balances of \$153,375,279. The fund balance saw an increase of \$19,173,895 from current year activities in comparison with the prior year. The fund balance in the Capital Project Fund decreased \$1,932,202. The fund balance in the School Construction Fund decreased \$8,914,068. The fund balance in the Grant Project Fund decreased \$81,429. The fund balance in the General Fund increased \$30,569,985. Approximately 35.8% of this total amount, or \$54,836,829, is non-spendable or restricted.
- At the end of the current fiscal year, available fund balance for the General Fund was \$115,544,801, or 51.32%, of total General Fund expenditures. Available fund balance includes the total fund balance in the General Fund, less non-spendable amounts for inventories and prepaid items and the amount calculated as Stabilization for State Statute, as described in the notes accompanying the financial statements.
- Onslow County's bond ratings were Aa1 with Moody's and AA with Standard and Poor's.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Onslow 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 will enhance the reader's understanding of the financial condition of Onslow County.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

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

The next statements (Exhibits C through K) 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. Following the notes is the **required supplemental information**. This section contains funding information about the County's pension and benefit plans. After the required supplemental information, **supplemental schedules** are provided to show details about the County's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## 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 they have 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 financial statements are divided into the following three types of activities:

**Governmental Activities.** These activities of the County include general government, public safety, human services, economic and physical development, environmental protection, education, and cultural and recreational. Property taxes and state and federal grant funds finance most of these activities.

**Business-Type Activities.** The County charges fees to recover the costs associated with providing certain services. The activities include solid waste and the airport.

**Component Units.** The government-wide financial statements include not only the County of Onslow itself (known as the primary government), but also a legally separate Onslow County Hospital Authority and Onslow County ABC Board for which Onslow County is financially accountable. Financial information for these component units are reported separately from the financial information for the primary government itself.

The government-wide financial statements directly follow the management's discussion and analysis 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. Onslow County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of Onslow County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the 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.* The Enterprise Fund is the only proprietary-type fund that the County utilizes. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste disposal and airport operations. These funds are the same as those shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

*Fiduciary Funds.* Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County only has custodial funds. The County has two custodial funds – a fund used to account for taxes collected for and remitted to other municipalities within the County and a fund used to account for funds collected for and remitted to a volunteer fire department.

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

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

## Government-Wide Financial Analysis

### Onslow County's Net Position Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Assets and Deferred Outflows:</b>						
Current and other assets	\$ 205,954,921	\$ 170,279,463	\$ 81,851,279	\$ 43,242,076	\$ 287,806,200	\$ 213,521,539
Non-current assets	1,374,888	-	177,139	-	1,552,027	-
Capital assets	138,023,621	141,114,640	71,391,266	69,271,987	209,414,887	210,386,627
Total assets	<u>345,353,430</u>	<u>311,394,103</u>	<u>153,419,684</u>	<u>112,514,063</u>	<u>498,773,114</u>	<u>423,908,166</u>
Deferred outflows of resources	<u>27,177,125</u>	<u>25,057,515</u>	<u>950,345</u>	<u>809,288</u>	<u>28,127,470</u>	<u>25,866,803</u>
Total assets and deferred outflows	<u>372,530,555</u>	<u>336,451,618</u>	<u>154,370,029</u>	<u>113,323,351</u>	<u>526,900,584</u>	<u>449,774,969</u>
<b>Liabilities and Deferred Inflows:</b>						
Long-term liabilities	242,508,916	301,388,481	18,960,221	19,007,828	261,469,137	320,396,309
Other liabilities	74,475,913	34,581,346	35,419,552	4,219,315	109,895,465	38,800,661
Total liabilities	<u>316,984,829</u>	<u>335,969,827</u>	<u>54,379,773</u>	<u>23,227,143</u>	<u>371,364,602</u>	<u>359,196,970</u>
Deferred inflows of resources	<u>20,391,849</u>	<u>4,291,973</u>	<u>1,079,647</u>	<u>208,935</u>	<u>21,471,496</u>	<u>4,500,908</u>
Total liabilities and deferred inflows	<u>337,376,678</u>	<u>340,261,800</u>	<u>55,459,420</u>	<u>23,436,078</u>	<u>392,836,098</u>	<u>363,697,878</u>
<b>Net Position:</b>						
Net investment in capital assets	245,213,899	56,516,949	71,403,354	69,271,987	316,617,253	125,788,936
Restricted	50,055,740	66,835,016	-	-	50,055,740	66,835,016
Unrestricted	(260,115,762)	(127,162,147)	27,507,255	20,615,286	(232,608,507)	(106,546,861)
Total net position	<u>\$ 35,153,877</u>	<u>\$ (3,810,182)</u>	<u>\$ 98,910,609</u>	<u>\$ 89,887,273</u>	<u>\$ 134,064,486</u>	<u>\$ 86,077,091</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of Onslow County exceeded its liabilities and deferred inflows of resources by \$134,064,486, as of June 30, 2022. The County's net position increased by \$47,987,395 for the fiscal year ended June 30, 2022. Net position of the County is reported in three categories: net investment in capital assets of \$316,617,253, restricted net position of \$50,055,740, and unrestricted net position of (\$232,608,507).

The net investment in capital assets category is defined as the County's investment in County-owned capital assets (e.g. land, buildings, automotive equipment, and office and other equipment); less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other resources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position consists of restrictions for stabilization for state statute, Register of Deeds' pension plan, general government, sheriff and animal services, human services, and economic and physical development.

As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due primarily to the portion of the County's outstanding debt incurred for the benefit of the Onslow County Board of Education and Coastal Carolina Community College. Under North Carolina law, the County is responsible for providing capital funding for these institutions. The County has chosen to meet its legal obligation by using a mixture of County funds and debt financing. The assets funded by the County, however, are owned and utilized by these institutions. 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, approximately \$120 million or 60.21% of the outstanding debt on the County's financial statements was related to assets included in the financial statements of the school systems and community college.

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

- A strong property tax collection rate of 98.76%
- Sales taxes receipts were \$16.3 million more than the County's budgeted estimate of \$59.6 million.
- Commitment to minimizing expenditures while maintaining a high quality of service to the residents of Onslow County.

**Governmental Activities.** Governmental activities increased the County's net position by \$38,964,059, or 81.2%, of the total increase in the net position of the Onslow County. This increase is primarily due to strong sales tax revenues and property tax revenues of \$75.9 million and \$110.8 million respectively fund a large portion of the Onslow County government activities.

**Business-Type Activities.** Business-type activities increased the County's net position by \$9,023,336, or an 18.8%, of the total increase in the net position of the Onslow County. The increase is primarily due to post-COVID-19 air travel increases and higher demand for landfill services.



**Onslow County's Change in Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 25,105,346	\$ 16,592,160	\$ 13,190,573	\$ 12,671,556	\$ 38,295,919	\$ 29,263,716
Operating grants and contributions	42,588,311	36,553,645	170,814	-	42,759,125	36,553,645
Capital grants and contributions	12,445	5,094,274	7,867,152	4,190,225	7,879,597	9,284,499
General revenues:						
Property taxes	112,593,423	106,430,584	-	-	112,593,423	106,430,584
Other taxes	78,409,684	71,036,093	-	9,112	78,409,684	71,045,205
Other	282,076	5,121,171	155,891	3,178	437,967	5,124,349
Total revenues	<u>258,991,285</u>	<u>240,827,927</u>	<u>21,384,430</u>	<u>16,874,071</u>	<u>280,375,715</u>	<u>257,701,998</u>
<b>Expenses:</b>						
General government	36,333,721	28,525,739	-	-	36,333,721	28,525,739
Public safety	52,361,819	47,303,063	-	-	52,361,819	47,303,063
Transportation	302,163	36,670	-	-	302,163	36,670
Economic and physical development	4,060,115	2,713,128	-	-	4,060,115	2,713,128
Human services	38,557,569	39,940,186	-	-	38,557,569	39,940,186
Environmental protection	376,131	522,395	-	-	376,131	522,395
Cultural and recreational	5,198,133	4,906,254	-	-	5,198,133	4,906,254
Education	75,133,478	110,067,561	-	-	75,133,478	110,067,561
Interest on long-term debt	7,677,130	3,749,373	-	-	7,677,130	3,749,373
Solid waste	-	-	6,109,124	6,071,786	6,109,124	6,071,786
Airport operations	-	-	6,278,937	5,848,126	6,278,937	5,848,126
Total expenses	<u>220,000,259</u>	<u>237,764,369</u>	<u>12,388,061</u>	<u>11,919,912</u>	<u>232,388,320</u>	<u>249,684,281</u>
Change in net position position before transfers	38,991,026	3,063,558	8,996,369	4,954,159	47,987,395	8,017,717
Transfers	<u>(26,967)</u>	<u>875,683</u>	<u>26,967</u>	<u>(875,683)</u>	<u>-</u>	<u>-</u>
Change in net position	38,964,059	3,939,241	9,023,336	4,078,476	47,987,395	8,017,717
<b>Net Position:</b>						
Beginning of year - July 1	<u>(3,810,182)</u>	<u>(7,749,423)</u>	<u>89,887,273</u>	<u>85,808,797</u>	<u>86,077,091</u>	<u>78,059,374</u>
End of year - June 30	<u>\$ 35,153,877</u>	<u>\$ (3,810,182)</u>	<u>\$ 98,910,609</u>	<u>\$ 89,887,273</u>	<u>\$ 134,064,486</u>	<u>\$ 86,077,091</u>

## Financial Analysis of the County's Funds

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

**Governmental Funds.** The focus of Onslow County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Henderson 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 Onslow County. At the end of the current fiscal year, available fund balance of the General Fund was \$115,544,801, while total fund balance was \$145,605,460. Available fund balance represents the spendable portion of fund balance. Spendable portions of fund balance may be comprised of restricted, committed, assigned or unassigned amounts, as disclosed in the notes accompanying the financial statements. The County currently has an available fund balance of 51.3% of total General Fund expenditures, while total fund balance represents 64.7% of that same amount.

At June 30, 2022, the governmental funds of the County reported a combined fund balance of \$153,375,279, an overall of \$19.1 million or 14.3% increase from last year. This was primarily due to the County's strong growth in property tax and local option sales tax revenues.

The Capital Project Fund accounts for financial resources to be used for the acquisition and construction for major capital facilities and capital projects within the County. The fund balance decreased in the current year by \$1,932,202 as multiple projects were completed and closed out.

The School Construction Project Fund accounts for financial resources to be used for the acquisition or construction of school capital facilities. The fund balance decreased in the current year by \$8,914,068 due to two school construction projects nearing completion and the transfer out of unspent bond proceeds for school construction projects that have been completed and closed.

The Grant Project Fund primarily accounts for major grants that require segregation into a special revenue fund and other grants that are awarded specifically for capital projects. The fund balance decreased in the current year by \$81,429 due to the timing of when expenditures occur versus when reimbursements are made by the granting agency, as most grants are reimbursable in nature and revenues are not recognized on a full accrual basis but rather a modified accrual looking forward 90 days.

**General Fund Budgetary Highlights.** The County's financial position improved significantly for FY2022 due to better than anticipated revenue collections in several categories, coupled with actual General Fund expenditures coming in well under budget at fiscal year-end.

The County revised the budget for various reasons during the fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

For the fiscal year, the General Fund balance had a net increase of \$30.6 million or 26.6%. The County is conservative in its budget estimates, which is illustrated by revenues that came in a total of \$18.4 million more than the budget estimate. The County's expenditures were less than budgeted by approximately \$30.7 million.

A review of actual revenues versus expenditures shows that the revenues exceeded expenditures by \$26.7 million. After transfers to and from other funds, net revenues over expenditures were \$30.6 million. The difference between budgeted and actual revenues was due primarily to unexpectedly strong performances in several areas. While some categories underperformed, Other Taxes & Licenses, which is primarily made up of sales tax, exceeded budget by \$16.3 million, with a strong showing in Permits & Fees and Sales and Services at \$2.6 million and \$3.4 million over budget, respectively.

The major variance from budgeted expenditures was in the General Government, where expenditures were \$11.7 million under budget. Expenditures for Human Services, Public Safety, and Economic and Physical Development came in \$8.3 million, \$3.2 million, and \$1.1 million under budget, respectively.

**Proprietary Funds.** The County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of all the proprietary funds at the end of the fiscal year amounted to \$27,507,255. During the fiscal year 2022, proprietary fund net position increased \$9,023,336. The majority of the increase in total net position for the proprietary funds is due to travelers returning to air travel post-COVID and higher demand for landfill services.

**Special Revenue Funds.** Special revenue funds of the County cover the Emergency Telephone System Fund (E-911), the Register of Deeds Fund, the Memorial Fund, and the Community Assistance Fund. These activities show total revenues for fiscal year 2022 of \$1,329,678 and total expenditures of \$1,360,520. The fund balance for these special revenue funds is \$1,316,516. There was a net decrease of \$468,391 from the prior year. This decrease was primarily due use of Emergency Telephone System Fund for a new CAD/RMS system for the County's 911 operations.

**Capital Project Funds.** The Capital Project funds accounts for funds used for new school construction and funds used for capital projects within the County. For fiscal year 2022 the total revenues of these funds were \$20,623 while expenditures were \$10,096,931.

### **Capital Asset and Debt Administration**

**Capital Assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2022 totals \$209,414,887 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

At the current time the various projects below make up the majority of what is included in construction in progress:

- Emergency Services 911 software upgrade
- Solid Waste Landfill Expansion Phase 5

**Onslow County's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Land	\$ 14,727,257	\$ 14,751,546	\$ 2,154,975	\$ 2,154,975	\$ 16,882,232	\$ 16,906,521
Buildings	90,753,563	94,880,731	29,398,076	30,581,412	120,151,639	125,462,143
Improvements	16,534,074	12,885,298	30,658,655	27,803,387	47,192,729	40,688,685
Equipment	10,748,253	11,160,554	7,686,408	8,172,122	18,434,661	19,332,676
Vehicles	2,911,865	4,153,822	714,835	51,483	3,626,700	4,205,305
Construction in progress	2,348,609	3,282,689	778,317	508,608	3,126,926	3,791,297
<b>Total</b>	<b>\$ 138,023,621</b>	<b>\$ 141,114,640</b>	<b>\$ 71,391,266</b>	<b>\$ 69,271,987</b>	<b>\$ 209,414,887</b>	<b>\$ 210,386,627</b>

Additional information on the County's capital assets can be found in the note 3A to the basic financial statements.

**Long-Term Debt.** As of June 30, 2022, Onslow County had total general obligation bonded debt outstanding of \$27.5 million, all of which is backed by the full faith and credit of the County.

A summary of long-term debt is shown in Figure 5.

**Onslow County's Limited Obligation Bonds**  
**And Installment Notes Payable**  
**Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Limited obligation bonds	\$ 162,825,000	\$ 172,955,000	\$ -	\$ -	\$ 162,825,000	\$ 172,955,000
Premium on LOBS debt	22,570,981	24,238,977	-	-	22,570,981	24,238,977
General obligation debt	27,510,000	33,135,000	-	-	27,510,000	33,135,000
Premium on GO debt	3,628,613	4,452,230	-	-	3,628,613	4,452,230
Direct placement installment purchase contracts	2,200,000	2,750,000	-	-	2,200,000	2,750,000
Certificates of Participation	6,660,000	7,770,000	-	-	6,660,000	7,770,000
Lease liabilities	1,018,089	-	4,424	-	1,022,513	-
<b>Total</b>	<b>\$ 226,412,683</b>	<b>\$ 245,301,207</b>	<b>\$ 4,424</b>	<b>\$ -</b>	<b>\$ 226,417,107</b>	<b>\$ 245,301,207</b>

Onslow County's total long-term debt decreased by \$18,884,100 during the past fiscal year.

As mentioned in the financial highlights section of this document, Onslow County maintains an Aa1 bond rating from Moody's Investor Service and AA rating from Standard and Poor's Corporation. This bond rating is a clear indication of the sound financial condition of Onslow County.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Onslow County is \$1,018,213,003.

Additional information regarding Onslow County's long-term debt can be found in the note 3B to the basic financial statements.

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

The County of Onslow has approved a \$256,843,319 General Fund budget for fiscal year 2023. The fiscal year 2023 ad valorem property tax rate was decreased to 65.5 cents per \$100 of assessed property valuation. Sales tax was budgeted at \$59,387,719, which increased only 3.14% from the prior year's conservative estimate made due to continuing uncertainties surrounding the economic conditions caused by the pandemic and other national and international concerns. Most County departments and outside agencies were essentially held flat, but additional personnel were added in areas experiencing increased service demands, particularly in emergency medical services. The following factors were considered when developing the FY2023 budget:

- The unemployment rate (not seasonally adjusted) for the County as of June 30, 2021 was 5.3%
- The 2022 property revaluation resulted in an overall increase of approximately 30.7% in real property values, bringing Onslow County's property value to over \$20 billion.
- The population has continued to increase as it has over the past few years, and Onslow County is the 13<sup>th</sup> largest county out of 100 in NC. The County seat, Jacksonville, is the 13<sup>th</sup> largest city in NC. This continues to create a higher demand for County services, local goods and services, housing, and educational services.
- Average Consumer Price Index of 8.3% with average hourly earnings in the State of North Carolina growing by 9.1% at the time of budget development.

## **Budget Highlights for the Fiscal Year Ending June 30, 2023**

**Governmental Activities.** The County approved a \$258.2 million general fund budget for Fiscal Year 2023. This represents a \$21.4 million or 9.06% increase from the amended budget for Fiscal Year 2022. There was an increase in the Board of Education current expense of \$5.4 million which is 9.52% more than Fiscal Year 2022..

Property tax revenue estimates are based on a tax rate of \$0.655 per \$100 assessed valuation, which is a 5.0 cent decrease from Fiscal Year 2022. The projected collection rate was 99.02%. It is estimated that property tax revenue for FY 22-23 will be \$131.6 million or 46.06% of the general fund budget. While overall property tax revenues are estimated to increase due to revaluation, the total percentage of revenue budget decreased from the previous year's 48.81%.

Year-to-year certainty in county budgeting rests, in part, on determining the funding level necessary for public education. In fiscal year 2022, total financial support for the K-12 public school system amounts to 35.04% of the General Fund budget of the County. Viewed in light of property tax revenues, 38.66 cents of the current 65.5 cents tax rate funds the school system.

Counties in North Carolina are mandated to fund school systems in three areas: "current expense" or operational funding; annual capital funding; and capital construction.

With over 3.6 million heated square feet of buildings, hundreds of acres of property, and a large bus fleet, the school system's annual capital needs are great. Onslow County's proposed and future budgets increase funding to the school system in this area. The school's capital budget for fiscal year 2022 increased by \$500,000 over what was budgeted for fiscal year 2021.

To balance the General Fund budget, the County appropriated \$11.6 million in fund balance for fiscal year 2023. This practice, of appropriating fund balance, is common. In fiscal year 2022, \$7.4 million was appropriated to cover the expenditures over revenues and other funding sources. The County had an increase in fund balance by \$39.0 million for fiscal year 2022. The County feels that that there may be a slight increase in fund balance in fiscal year 2023.

There are several County facilities that are in need of major renovation or replacement. We have continued to refine our capital improvement program to provide for orderly construction and funding of these projects. In fiscal year 2023, we have continued the funding of a capital reserve fund to cover some of these costs and to provide funds to cover future debt payments without the need for massive changes in the tax rate due to the issuance of debt to fund some of the projects.

**Business-Type Activities.** The County operates two business type activities, which is our Solid Waste and Airport Enterprise fund. For fiscal year 2023 the Solid Waste Fund budget is \$8.6 million. For fiscal year 2023 the Airport Fund budget is \$4.3 million. Both funds are fully funded through revenues and reserves of the respective funds and are not dependent on the General Fund for support.

### **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 R. Andrew Prince, Finance Officer, Onslow County, 234 Northwest Corridor Boulevard, Jacksonville, North Carolina 28540. You can also visit our website [www.onslowcountync.gov](http://www.onslowcountync.gov) or send an email to [finance\\_office@onslowcountync.gov](mailto:finance_office@onslowcountync.gov).

## **BASIC FINANCIAL STATEMENTS – OVERVIEW**

ONslow COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Onslow County Hospital Authority	Onslow County ABC Board
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 137,107,016	\$ 46,322,057	\$ 183,429,073	\$ 12,150,936	\$ 5,751,368
Taxes receivable, net	2,645,986	-	2,645,986	-	-
Receivables, net	7,872,542	994,318	8,866,860	21,264,631	-
Note receivable	1,091,965	-	1,091,965	-	-
Lease receivable	617	28,017	28,634	-	-
Internal balances	3,738	(3,738)	-	-	-
Due from other governments	17,790,209	242,584	18,032,793	-	-
Inventories	448,573	371	448,944	4,880,653	2,049,128
Prepaid items	632,747	-	632,747	2,867,943	29,170
Restricted cash and cash equivalents	38,361,528	34,267,670	72,629,198	-	-
Total current assets	205,954,921	81,851,279	287,806,200	41,164,163	7,829,666
Non-current assets:					
Net pension asset	420,396	-	420,396	-	-
Lease receivable, non-current	22,606	169,475	192,081	-	-
Right to use leased assets, net	931,886	7,664	939,550	-	35,915
Other assets, limited as to use	-	-	-	43,512,172	-
Capital assets:					
Land and construction in progress	17,075,866	2,933,292	20,009,158	7,533,952	2,373,627
Other capital assets, net of depreciation	120,947,755	68,457,974	189,405,729	56,894,787	4,388,193
Total capital assets	138,023,621	71,391,266	209,414,887	64,428,739	6,761,820
Total non-current assets	139,398,509	71,568,405	210,966,914	107,940,911	6,797,735
Total assets	345,353,430	153,419,684	498,773,114	149,105,074	14,627,401
<b>Deferred Outflows of Resources:</b>					
OPEB deferrals	2,922,387	186,535	3,108,922	1,476,452	114,369
Pension deferrals	18,900,166	763,810	19,663,976	-	712,781
Charge on refunding	5,354,572	-	5,354,572	-	-
Total deferred outflows of resources	27,177,125	950,345	28,127,470	1,476,452	827,150
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued expenses	14,593,940	1,081,308	15,675,248	37,234,015	2,068,707
Liabilities to be paid from restricted assets	441,662	-	441,662	-	-
Unearned revenues	652,836	14,626	667,462	-	-
Advances from grantors	34,557,681	34,267,670	68,825,351	-	-
Third-party payer settlements	-	-	-	4,800,363	-
Due within one year	24,229,794	55,948	24,285,742	2,690,483	16,658
Total current liabilities	74,475,913	35,419,552	109,895,465	44,724,861	2,085,365

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



ONslow COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION  
JUNE 30, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Onslow County Hospital Authority	Onslow County ABC Board
Long-term liabilities:					
Net pension liability - LGERS	11,428,754	565,654	11,994,408	-	345,826
Total pension liability - LEOSSA	5,342,353	-	5,342,353	-	-
Total OPEB liability	19,477,293	1,243,232	20,720,525	14,352,790	467,979
Due in more than one year	206,260,516	17,151,335	223,411,851	31,209,299	19,693
Total long-term liabilities	242,508,916	18,960,221	261,469,137	45,562,089	833,498
Total liabilities	316,984,829	54,379,773	371,364,602	90,286,950	2,918,863
<b>Deferred Inflows of Resources:</b>					
Prepaid taxes	256,896	-	256,896	-	-
OPEB deferrals	2,203,240	140,632	2,343,872	819,438	530,211
Pension deferrals	17,908,701	737,494	18,646,195	-	494,081
Lease deferrals	23,012	201,521	224,533	-	-
Total deferred inflows of resources	20,391,849	1,079,647	21,471,496	819,438	1,024,292
<b>Net Position:</b>					
Net investment in capital assets	245,213,899	71,403,354	316,617,253	28,994,878	6,761,820
Restricted for:					
Stabilization by state statute	29,402,169	-	29,402,169	-	-
Register of Deeds' pension plan	482,672	-	482,672	-	-
General government	10,397,522	-	10,397,522	-	-
Sheriff and animal services	943,179	-	943,179	-	-
Human services	6,958,333	-	6,958,333	69,503	-
Economic and physical development	1,871,865	-	1,871,865	-	-
Capital improvements	-	-	-	-	1,336,799
Working capital	-	-	-	-	811,963
Unrestricted	(260,115,762)	27,507,255	(232,608,507)	30,410,757	2,600,814
Total net position	\$ 35,153,877	\$ 98,910,609	\$ 134,064,486	\$ 59,475,138	\$ 11,511,396

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

ONslow COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 36,333,721	\$ 8,613,210	\$ 16,214,553	\$ -
Public safety	52,361,819	13,114,109	3,283,734	-
Transportation	302,163	-	-	-
Economic and physical development	4,060,115	-	79,570	-
Human services	38,557,569	2,999,874	21,062,966	-
Environmental protection	376,131	-	-	-
Cultural and recreation	5,198,133	378,153	301,488	12,445
Education	75,133,478	-	1,646,000	-
Interest and amortization on long-term debt	7,677,130	-	-	-
Total governmental activities	<u>220,000,259</u>	<u>25,105,346</u>	<u>42,588,311</u>	<u>12,445</u>
<b>Business-Type Activities:</b>				
Solid waste	6,109,124	9,048,967	170,814	3,300
Airport	6,278,937	4,141,606	-	7,863,852
Total business-type activities	<u>12,388,061</u>	<u>13,190,573</u>	<u>170,814</u>	<u>7,867,152</u>
Total primary government	<u>\$ 232,388,320</u>	<u>\$ 38,295,919</u>	<u>\$ 42,759,125</u>	<u>\$ 7,879,597</u>
<b>Component Units:</b>				
Onslow County Hospital Authority	\$ 151,731,481	\$ 157,395,443	\$ -	\$ 3,189,203
Onslow County ABC Board	26,865,907	27,947,214	-	-
Total	<u>\$ 178,597,388</u>	<u>\$ 185,342,657</u>	<u>\$ -</u>	<u>\$ 3,189,203</u>

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

ONslow COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

	Net (Expense) Revenue and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Onslow County Hospital Authority	Onslow County ABC Board
<b>Functions/Programs:</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General government	\$ (11,505,958)	\$ -	\$ (11,505,958)		
Public safety	(35,963,976)	-	(35,963,976)		
Transportation	(302,163)	-	(302,163)		
Economic and physical development	(3,980,545)	-	(3,980,545)		
Human services	(14,494,729)	-	(14,494,729)		
Environmental protection	(376,131)	-	(376,131)		
Cultural and recreation	(4,506,047)	-	(4,506,047)		
Education	(73,487,478)	-	(73,487,478)		
Interest and amortization on long-term debt	(7,677,130)	-	(7,677,130)		
Total governmental activities	(152,294,157)	-	(152,294,157)		
<b>Business-Type Activities:</b>					
Solid waste	-	3,113,957	3,113,957		
Airport	-	5,726,521	5,726,521		
Total business-type activities	-	8,840,478	8,840,478		
Total primary government	(152,294,157)	8,840,478	(143,453,679)		
<b>Component Units:</b>					
Onslow County Hospital Authority				\$ 8,853,165	\$ -
Onslow County ABC Board				-	1,081,307
Total				8,853,165	1,081,307
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose	112,593,423	-	112,593,423	-	-
Local option sales tax	72,069,611	-	72,069,611	-	-
Other taxes and licenses	6,340,073	-	6,340,073	-	-
Investment earnings, unrestricted	282,076	103,896	385,972	171,471	3,077
Miscellaneous, unrestricted	-	51,995	51,995	859,311	-
Total general revenues	191,285,183	155,891	191,441,074	1,030,782	3,077
Transfers	(26,967)	26,967	-	-	-
Total general revenues and transfers	191,258,216	182,858	191,441,074	1,030,782	3,077
Change in net position	38,964,059	9,023,336	47,987,395	9,883,947	1,084,384
<b>Net Position:</b>					
Beginning of year - July 1	(3,810,182)	89,887,273	86,077,091	49,591,191	10,427,012
End of year - June 30	\$ 35,153,877	\$ 98,910,609	\$ 134,064,486	\$ 59,475,138	\$ 11,511,396

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

ONslow COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Major					
	General Fund	Capital Project Fund	School Construction Fund	Grant Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Cash and cash equivalents	\$ 130,465,952	\$ 5,353,988	\$ -	\$ -	\$ 1,287,076	\$ 137,107,016
Taxes receivable, net	2,645,986	-	-	-	-	2,645,986
Receivables, net	7,869,740	445	2,357	-	-	7,872,542
Note receivable	1,091,965	-	-	-	-	1,091,965
Lease receivable	23,223	-	-	-	-	23,223
Due from other funds	3,738	-	-	-	-	3,738
Due from other governments	17,360,766	152,568	192,409	53,981	30,485	17,790,209
Inventories	448,573	-	-	-	-	448,573
Prepaid items	632,747	-	-	-	-	632,747
Restricted assets:						
Cash and investments	-	222,849	3,090,265	35,048,414	-	38,361,528
Total assets	<u>\$ 160,542,690</u>	<u>\$ 5,729,850</u>	<u>\$ 3,285,031</u>	<u>\$ 35,102,395</u>	<u>\$ 1,317,561</u>	<u>\$ 205,977,527</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 11,625,333	\$ 2,011,794	\$ -	\$ -	\$ 1,045	\$ 13,638,172
Liabilities to be paid from restricted assets	-	222,849	100	218,713	-	441,662
Unearned revenues	-	-	-	652,836	-	652,836
Advances from grantors	-	-	-	34,557,681	-	34,557,681
Total liabilities	<u>11,625,333</u>	<u>2,234,643</u>	<u>100</u>	<u>35,429,230</u>	<u>1,045</u>	<u>49,290,351</u>
<b>Deferred Inflows of Resources:</b>						
Property taxes receivable	2,645,986	-	-	-	-	2,645,986
Other receivables	386,003	-	-	-	-	386,003
Lease deferrals	23,012	-	-	-	-	23,012
Prepaid taxes	256,896	-	-	-	-	256,896
Total deferred inflows of resources	<u>3,311,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,311,897</u>
<b>Fund Balances:</b>						
Non-spendable:						
Inventory	448,573	-	-	-	-	448,573
Prepaid items	632,747	-	-	-	-	632,747
Note receivable	1,091,965	-	-	-	-	1,091,965
Leases	211	-	-	-	-	211
Restricted:						
Stabilization by state statute	27,887,163	1,141,403	289,137	53,981	30,485	29,402,169
Restricted, all other	16,542,974	2,353,804	3,090,265	-	1,274,121	23,261,164
Committed	35,827,245	-	2,995,794	-	-	38,823,039
Assigned, all other	10,774,208	-	-	-	11,910	10,786,118
Unassigned	52,400,374	-	(3,090,265)	(380,816)	-	48,929,293
Total fund balances	<u>145,605,460</u>	<u>3,495,207</u>	<u>3,284,931</u>	<u>(326,835)</u>	<u>1,316,516</u>	<u>153,375,279</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 160,542,690</u>	<u>\$ 5,729,850</u>	<u>\$ 3,285,031</u>	<u>\$ 35,102,395</u>	<u>\$ 1,317,561</u>	<u>\$ 205,977,527</u>

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

ONSLOW COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	<b>Total Governmental Funds</b>
Total fund balances from Page 1 of 2	\$ 153,375,279
Amounts reported in the governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	138,023,621
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	931,886
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net position in the Statement of Net Position.	3,031,989
Net pension asset	420,396
Net pension liability LGERS	(11,428,754)
Total pension liability LEOSSA	(5,342,353)
OPEB liability	(19,477,293)
Deferred inflows of resources related to pensions are not reported in the funds.	
ROD	(20,904)
LGERS	(17,612,452)
LEOSSA	(275,345)
	(17,908,701)
Deferred inflows of resources related to OPEB are not reported in the funds.	(2,203,240)
Deferred outflows of resources related to pensions are not reported in the funds.	
ROD	83,180
LGERS	17,187,760
LEOSSA	1,629,226
	18,900,166
Deferred outflows of resources related to OPEB are not reported in the funds.	2,922,387
Long-term liabilities and compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(230,490,310)
Deferred charges related to advance refunding bond issued - included on government-wide Statement of Net Position, but are not current financial resources.	5,354,572
Some liabilities, including accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.	(955,768)
Net position of governmental activities	<u>\$ 35,153,877</u>

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

# ONslow COUNTY, NORTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	Major					
	General Fund	Capital Project Fund	School Construction Fund	Grant Project Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Ad valorem taxes	\$ 110,776,008	\$ -	\$ -	\$ -	\$ -	\$ 110,776,008
Other taxes and licenses	75,930,069	-	-	-	-	75,930,069
Unrestricted intergovernmental revenues	2,479,615	-	-	-	-	2,479,615
Restricted intergovernmental revenues	25,860,737	12,445	-	4,974,189	239,605	31,086,976
Permits and fees	10,447,188	-	-	-	153,576	10,600,764
Sales and services	14,118,579	-	-	-	-	14,118,579
Investment earnings	230,818	3,120	5,058	40,837	2,243	282,076
Miscellaneous	10,704,643	-	-	-	934,254	11,638,897
Total revenues	<u>250,547,657</u>	<u>15,565</u>	<u>5,058</u>	<u>5,015,026</u>	<u>1,329,678</u>	<u>256,912,984</u>
<b>Expenditures:</b>						
Current:						
General government	31,359,236	236,500	-	2,176,882	807,383	34,580,001
Public safety	49,306,179	3,036,154	-	231,307	455,926	53,029,566
Transportation	289,014	-	-	-	-	289,014
Economic and physical development	3,962,482	-	-	-	97,211	4,059,693
Human services	38,951,841	27,503	-	-	-	38,979,344
Environmental protection	376,131	-	-	-	-	376,131
Cultural and recreation	5,062,901	135,232	-	-	-	5,198,133
Education	68,928,812	-	6,661,542	-	-	75,590,354
Debt service:						
Principal	17,715,606	-	-	-	-	17,715,606
Interest	9,212,975	-	-	-	-	9,212,975
Total expenditures	<u>225,165,177</u>	<u>3,435,389</u>	<u>6,661,542</u>	<u>2,408,189</u>	<u>1,360,520</u>	<u>239,030,817</u>
Revenues over (under) expenditures	<u>25,382,480</u>	<u>(3,419,824)</u>	<u>(6,656,484)</u>	<u>2,606,837</u>	<u>(30,842)</u>	<u>17,882,167</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	8,383,420	4,679,667	-	1,203	-	13,064,290
Transfers (out)	(4,514,610)	(3,192,045)	(2,257,584)	(2,689,469)	(437,549)	(13,091,257)
Lease liability issued	1,318,695	-	-	-	-	1,318,695
Total other financing sources (uses)	<u>5,187,505</u>	<u>1,487,622</u>	<u>(2,257,584)</u>	<u>(2,688,266)</u>	<u>(437,549)</u>	<u>1,291,728</u>
Net change in fund balances	30,569,985	(1,932,202)	(8,914,068)	(81,429)	(468,391)	19,173,895
<b>Fund Balances:</b>						
Beginning of year - July 1	<u>115,035,475</u>	<u>5,427,409</u>	<u>12,198,999</u>	<u>(245,406)</u>	<u>1,784,907</u>	<u>134,201,384</u>
End of year - June 30	<u>\$ 145,605,460</u>	<u>\$ 3,495,207</u>	<u>\$ 3,284,931</u>	<u>\$ (326,835)</u>	<u>\$ 1,316,516</u>	<u>\$ 153,375,279</u>

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

# **ONslow COUNTY, NORTH CAROLINA**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022**

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different due to the following items:

Total net change in fund balances - total governmental funds	\$ 19,173,895
Exhibit D reports revenues using a current financial resources basis, which generally means revenue is recognized when collected, or is expected to be collected, within 90 days of year-end. Exhibit B reports revenues when the earning process is complete, regardless of when it is collected. This measurement difference causes timing of revenue recognition difference causes timing of revenue recognition differences for the following revenue types:	
EMS revenues and other revenues	386,003
Property tax revenues and other fees and services	1,817,415
Capital outlays and lease requirements are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets and right to use leased assets.	7,313,111
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(8,960,318)
Amortization of right to use leased assets is not reported as an expenditure in the governmental fund statement.	(386,809)
Gain/loss on the disposal of capital assets not recognized on modified accrual basis	(125,117)
Expenses related to compensated absences and retainages payable that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(194,136)
Pension expense - LEOSSA	(521,763)
Pension expense - LGERS	1,790,596
Pension expense - ROD	(78)
OPEB plan expense	1,422,713
Accrued interest that does not require current financial resources are not reported as expenditures in the governmental funds statement.	(955,768)
The issuance of long-term debt and lease liabilities provides current financial resources to governmental funds, but does not effect net assets.	(1,318,695)
Issuance and amortization of debt premiums is a reduction of expenses on the Statement of Activities.	2,491,613
Expenses reported on fund financial statements that are capitalized on government-wide statements - refunding costs	(684,209)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	17,715,606
Total change in net position of governmental activities	<u>\$ 38,964,059</u>

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

## ONSLOW COUNTY, NORTH CAROLINA

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	General Fund			Variance from
	Budgeted Amounts		Actual	Final Budget
	Original	Final		Over/Under
<b>Revenues:</b>				
Ad valorem taxes	\$ 109,033,385	\$ 109,033,385	\$ 110,776,008	\$ 1,742,623
Other taxes and licenses	59,436,416	59,614,416	75,930,069	16,315,653
Unrestricted intergovernmental revenues	2,151,998	2,151,998	2,479,615	327,617
Restricted intergovernmental revenues	22,914,811	27,426,597	24,214,737	(3,211,860)
Permits and fees	7,504,010	7,829,112	10,447,188	2,618,076
Sales and services	10,623,617	10,778,417	14,118,579	3,340,162
Investment earnings	556,489	556,489	193,353	(363,136)
Miscellaneous	12,335,308	13,079,138	10,704,643	(2,374,495)
Total revenues	<u>224,556,034</u>	<u>230,469,552</u>	<u>248,864,192</u>	<u>18,394,640</u>
<b>Expenditures:</b>				
Current:				
General government	34,607,076	42,230,877	30,510,667	11,720,210
Public safety	48,879,091	51,889,318	48,646,832	3,242,486
Transportation	319,000	319,000	289,014	29,986
Economic and physical development	4,333,037	5,080,255	3,962,482	1,117,773
Human services	41,840,537	47,297,284	38,951,841	8,345,443
Environmental protection	356,975	377,585	376,131	1,454
Cultural and recreational	5,405,544	5,669,595	5,062,901	606,694
Intergovernmental:				
Education	68,963,019	68,963,019	68,928,812	34,207
Debt service:				
Principal retirement	17,415,001	23,447,176	17,715,606	5,731,570
Interest and other charges	9,098,264	9,098,264	9,212,975	(114,711)
Total expenditures	<u>231,217,544</u>	<u>254,372,373</u>	<u>223,657,261</u>	<u>30,715,112</u>
Revenues over (under) expenditures	<u>(6,661,510)</u>	<u>(23,902,821)</u>	<u>25,206,931</u>	<u>49,109,752</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	3,821,676	12,444,329	10,029,420	(2,414,909)
Transfers to other funds	(4,369,242)	(7,914,563)	(7,781,157)	133,406
Proceeds from direct placement installment debt	-	600,000	-	(600,000)
Appropriated fund balance	7,209,076	18,773,055	-	(18,773,055)
Total other financing sources (uses)	<u>6,661,510</u>	<u>23,902,821</u>	<u>2,248,263</u>	<u>(21,654,558)</u>

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



# ONSLOW COUNTY, NORTH CAROLINA

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	General Fund			
	Budgeted Amounts			Variance from Final Budget Over/Under
	Original	Final	Actual	
Net change in fund balance	\$ -	\$ -	27,455,194	\$ 27,455,194
<b>Fund Balance:</b>				
Beginning of year - July 1			86,886,293	
<b>Reconciliation from Budgetary Basis to Modified Accrual Basis:</b>				
Initial implementation of lease standard:				
Lease liability issued			1,318,695	
Capital outlay			(1,318,695)	
End of year - June 30			114,341,487	
Legally budgeted Reserve and Revaluation Funds are consolidated into the General Fund for reporting purposes:				
Restricted intergovernmental			\$ 1,646,000	
Investment earnings			37,465	
Transfers (to) from General Fund			1,620,547	
Expenditures			(189,221)	
Fund balance, beginning			28,149,182	
Fund balance, ending (Exhibit D)			\$ 145,605,460	

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

# **ONSLOW COUNTY, NORTH CAROLINA**

## **STATEMENT OF NET POSITION** **PROPRIETARY FUNDS** **JUNE 30, 2022**

	<b>Enterprise Funds</b>		
	<b>Major</b>		
	<b>Solid Waste</b>	<b>Airport</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 34,816,043	\$ 11,506,014	\$ 46,322,057
Accounts receivable, net	832,695	161,623	994,318
Due from other governments	110,706	131,878	242,584
Lease receivable, current	6,471	21,546	28,017
Inventories	371	-	371
Total current assets	<u>35,766,286</u>	<u>11,821,061</u>	<u>47,587,347</u>
Non-current assets:			
Restricted cash and cash equivalents	-	34,267,670	34,267,670
Lease receivable, non-current	138,584	30,891	169,475
Right to use leased assets, net	<u>7,664</u>	<u>-</u>	<u>7,664</u>
Capital assets:			
Land and construction in progress	1,825,146	1,108,146	2,933,292
Other capital assets, net of depreciation	<u>12,018,548</u>	<u>56,439,426</u>	<u>68,457,974</u>
Total capital assests	<u>13,843,694</u>	<u>57,547,572</u>	<u>71,391,266</u>
Total non-current assets	<u>13,989,942</u>	<u>91,846,133</u>	<u>105,836,075</u>
Total assets	<u>49,756,228</u>	<u>103,667,194</u>	<u>153,423,422</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - LGERS	381,905	381,905	763,810
Deferred outflows - OPEB	<u>124,357</u>	<u>62,178</u>	<u>186,535</u>
Total deferred outflows of resources	<u>506,262</u>	<u>444,083</u>	<u>950,345</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable and accrued expenses	381,881	699,427	1,081,308
Due to other funds	3,738	-	3,738
Unearned revenues	1,124	13,502	14,626
Compensated absences	20,177	32,833	53,010
Advance from grantor	-	34,267,670	34,267,670
Lease liabilities	<u>2,938</u>	<u>-</u>	<u>2,938</u>
Total current liabilities	<u>409,858</u>	<u>35,013,432</u>	<u>35,423,290</u>

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

**ONSLOW COUNTY, NORTH CAROLINA**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2022**

	<b>Enterprise Funds</b>		
	<b>Major</b>		
	<b>Solid Waste</b>	<b>Airport</b>	<b>Total</b>
Non-current liabilities:			
Compensated absences	54,554	88,771	143,325
Accrued landfill closure and post-closure care costs	17,006,524	-	17,006,524
Lease liabilities	1,486	-	1,486
Net pension liability - LGERS	282,827	282,827	565,654
Total OPEB liability	828,821	414,411	1,243,232
Total non-current liabilities	18,174,212	786,009	18,960,221
 Total liabilities	 18,584,070	 35,799,441	 54,383,511
 <b>Deferred Inflows of Resources:</b>			
Deferred inflows - LGERS	368,747	368,747	737,494
Deferred inflows - OPEB	93,755	46,877	140,632
Lease deferrals	144,824	56,697	201,521
Total deferred inflows of resources	607,326	472,321	1,079,647
 <b>Net Position:</b>			
Net investment in capital assets	(20,442,779)	91,846,133	71,403,354
Unrestricted	51,513,873	(24,006,618)	27,507,255
 Total net position	 \$ 31,071,094	 \$ 67,839,515	 \$ 98,910,609

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

# **ONSLOW COUNTY, NORTH CAROLINA**

## **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Enterprise Funds</b>		
	<b>Major</b>		
	<b>Solid Waste</b>	<b>Airport</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 9,048,967	\$ 3,020,820	\$ 12,069,787
Passenger facility charges	-	734,699	734,699
Contract facility charges	-	365,915	365,915
Other operating revenues	170,814	20,172	190,986
Total operating revenues	<u>9,219,781</u>	<u>4,141,606</u>	<u>13,361,387</u>
<b>Operating Expenses:</b>			
Salaries and employee benefits	1,767,733	2,097,957	3,865,690
Operating expenses	2,821,399	1,266,490	4,087,889
Depreciation and amortization	<u>1,520,971</u>	<u>2,914,490</u>	<u>4,435,461</u>
Total operating expenses	<u>6,110,103</u>	<u>6,278,937</u>	<u>12,389,040</u>
Operating income (loss)	<u>3,109,678</u>	<u>(2,137,331)</u>	<u>972,347</u>
<b>Non-Operating Revenues (Expenses):</b>			
Gain (loss) on sale of capital assets	-	51,995	51,995
Governmental grants	3,300	7,863,852	7,867,152
Interest and investment revenue	47,526	56,370	103,896
Interest and other charges	<u>979</u>	<u>-</u>	<u>979</u>
Total non-operating revenues (expenses)	<u>51,805</u>	<u>7,972,217</u>	<u>8,024,022</u>
Income (loss) before transfers	<u>3,161,483</u>	<u>5,834,886</u>	<u>8,996,369</u>
<b>Transfers:</b>			
Transfers in	219,729	326,018	545,747
Transfers (out)	<u>-</u>	<u>(518,780)</u>	<u>(518,780)</u>
Total transfers	<u>219,729</u>	<u>(192,762)</u>	<u>26,967</u>
Change in net position	3,381,212	5,642,124	9,023,336
<b>Net Position:</b>			
Beginning of year - July 1	<u>27,689,882</u>	<u>62,197,391</u>	<u>89,887,273</u>
End of year - June 30	<u>\$ 31,071,094</u>	<u>\$ 67,839,515</u>	<u>\$ 98,910,609</u>

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

# ONSLOW COUNTY, NORTH CAROLINA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major		
	Solid Waste	Airport	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 9,229,934	\$ 4,154,146	\$ 13,384,080
Cash paid for goods and services	(2,107,911)	(733,685)	(2,841,596)
Cash paid to employees for services	(1,880,333)	(2,146,861)	(4,027,194)
Net cash provided (used) by operating activities	<u>5,241,690</u>	<u>1,273,600</u>	<u>6,515,290</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers in	219,729	326,018	545,747
Transfers out	-	(518,780)	(518,780)
Amounts received from advances to other funds	3,024	-	3,024
Net cash provided (used) by non-capital financing activities	<u>222,753</u>	<u>(192,762)</u>	<u>29,991</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Government grants	3,300	7,863,852	7,867,152
Advances from grantor	-	30,642,708	30,642,708
Proceeds from sale of assets	-	51,995	51,995
Acquisition of capital assets	(453,999)	(6,093,526)	(6,547,525)
Long-term debt payments	(10,455)	-	(10,455)
Interest paid	979	-	979
Net cash provided (used) by capital and related financing activities	<u>(460,175)</u>	<u>32,465,029</u>	<u>32,004,854</u>
<b>Cash Flows from Investing Activities:</b>			
Interest on investments	<u>47,526</u>	<u>56,370</u>	<u>103,896</u>
Net increase (decrease) in cash and cash equivalents	5,051,794	33,602,237	38,654,031
<b>Cash and Cash Equivalents:</b>			
Beginning of year - July 1	<u>29,764,249</u>	<u>12,171,447</u>	<u>41,935,696</u>
End of year - June 30	<u>\$ 34,816,043</u>	<u>\$ 45,773,684</u>	<u>\$ 80,589,727</u>

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

# ONSLOW COUNTY, NORTH CAROLINA

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds		
	Major		
	Solid Waste	Airport	Total
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 3,109,678	\$ (2,137,331)	\$ 972,347
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,520,971	2,914,490	4,435,461
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	9,260	8,240	17,500
(Increase) decrease in lease receivable	(145,055)	(52,437)	(197,492)
Increase (decrease) in lease deferrals	144,824	56,697	201,521
(Increase) decrease in prepaid items	7,298	44,309	51,607
(Increase) decrease in deferred outflows (OPEB and LGERS)	(73,753)	(67,304)	(141,057)
Increase (decrease) in accounts payable and accrued liabilities	12,636	488,496	501,132
Increase (decrease) in unearned revenues	1,124	40	1,164
Increase (decrease) in pension liability	(327,100)	(327,100)	(654,200)
Increase (decrease) in deferred inflows (OPEB and LGERS)	329,077	340,114	669,191
Increase (decrease) in accrued landfill costs	693,554	-	693,554
Increase (decrease) in OPEB obligation	(22,202)	17,267	(4,935)
Increase (decrease) in accrued vacation pay	(18,622)	(11,881)	(30,503)
Total adjustments	2,132,012	3,410,931	5,542,943
Net cash provided (used) by operating activities	\$ 5,241,690	\$ 1,273,600	\$ 6,515,290
<b>Non-Cash Capital and Related Financing Activities:</b>			
Right to use asset acquired in exchange for a lease liability	\$ 14,879	\$ -	\$ 14,879
Net transfer of assets (to) from governmental funds	\$ -	\$ (24,362)	\$ (24,362)

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

# **ONSLOW COUNTY, NORTH CAROLINA**

## **STATEMENT OF FIDUCIARY NET POSITION**

### **FIDUCIARY FUNDS**

**JUNE 30, 2022**

	<b>Custodial Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 356,104
Receivables, net	<u>173,973</u>
Total assets	<u>530,077</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	<u>307,127</u>
<b>Net Position:</b>	
Restricted for:	
Individuals, organizations and other governments	<u>222,950</u>
Total net position	<u>\$ 222,950</u>

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

# **ONSLOW COUNTY, NORTH CAROLINA**

## **STATEMENT OF CHANGES OF FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED JUNE 30, 2022**

	<b><u>Custodial Funds</u></b>
<b>Additions:</b>	
Ad valorem taxes for other governments	\$ 34,461,424
Investment earnings	<u>22</u>
Total additions	<u>34,461,446</u>
 <b>Deductions:</b>	
Tax distributions to other governments	<u>34,287,451</u>
 Net increase (decrease) in fiduciary net position	 173,995
 <b>Net Position:</b>	
Beginning of year - July 1	<u>48,955</u>
 End of year - June 30	 <u>\$ 222,950</u>

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



# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **1. Summary of Significant Accounting Policies**

The accounting policies of Onslow County (the "County") and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

#### **A. Reporting Entity**

The County, which is governed by a seven-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. Onslow County Industrial Facility and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the combined financial statements. The Onslow County Hospital authority (the Hospital), which has a September 30 year-end, is presented as if it were a proprietary fund. The Onslow County ABC Board (the Board), which has a June 30 year-end, is presented as if it were a proprietary fund.

#### **Discretely Presented Component Units**

##### **Onslow County Industrial Facility and Pollution Control Financing Authority**

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. No separate Financial Statements are issued.

##### **Onslow County Hospital Authority**

The Hospital is a public hospital operated by a not-for-profit corporation, which has leased the hospital facilities from the County until September 30, 2056. The County appoints the Board of Trustees for the Hospital. The County has also issued general obligation debt on behalf of the hospital.

Complete financial statements for the Hospital can be obtained from the Hospital's administrative offices:

Onslow County Hospital Authority  
317 Western Boulevard  
Jacksonville, NC 28540

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **Onslow County ABC Board**

The members of the ABC Board's governing board are appointed by the County. The ABC Board is required by state statute to distribute its surpluses to the General Fund of the County.

Complete financial statements for the ABC Board can be obtained from the Board's administrative offices:

Onslow County ABC Board  
409 Center Street  
Jacksonville, NC 28540

### **B. Basis of Presentation, Basis of Accounting**

#### **Basis of Presentation, Measurement Focus – Basis of Accounting**

*Government-Wide Statements.* The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. However, 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 (1) fees and charges paid by the recipients of goods or services offered by the programs, and (2) 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 its blended component unit. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.** The General Fund is the general operating fund of the County. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The Reserve Fund and the Revaluation Fund are legally budgeted funds under North Carolina General Statutes; however, for statement presentation in accordance with GASB Statement No. 54, they are consolidated into the General Fund.

**Capital Project Fund.** This fund accounts for various construction projects. These projects will normally span more than one year.

**School Construction Fund.** This fund accounts for construction projects related to schools. These projects will normally span over more than one year.

**Grant Project Fund.** This special revenue fund is used to accounts for funds received for various grant projects.

The County reports the following major enterprise funds:

**Solid Waste Fund.** This fund is used to account for the operations of the County landfill.

**Airport Operations Fund.** This fund is used to account for the operations of the Albert J. Ellis Airport.

The County also reports the following fund types:

**Special Revenue Funds.** Special revenue funds are used to account for specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The County maintains four nonmajor special revenue funds: Memorial Fund, Emergency Telephone Systems Fund (E-911), Register of Deeds Fund, and Community Assistance Fund.

**Fiduciary Funds. Custodial Funds** – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Collection Fund, which accounts for ad valorem

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

and vehicle property taxes that are billed and collected by the County for various municipalities within the County but are not revenues to the County, and the Bear Creek Volunteer Fire Fund, which accounts for monies deposited by the County for the operations of the Bear Creek Volunteer Fire Department.

### **Measurement Focus, Basis of Accounting**

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

*Government-Wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds, which have no measurement focus. The government-wide, propriety fund, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital position. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on all 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

### **C. Budgetary Data**

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget ordinance is adopted for the general fund, special revenue funds (excluding the Grant Project Fund), and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Project Fund, School Construction Fund and the Grant Project Fund.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. As allowed by statute, the Board has authorized the County Manager to transfer monies from one appropriation to another within the same fund, subject to such limitations and procedures as it may authorize. Department heads may request transfers of appropriations within a department. These requests are subject to the approval of the County Manager. The County Manager may transfer amounts between objects of expenditures and revenues within a function without limitation and may transfer amounts up to \$100,000 between functions of the same fund. The County Manager may not transfer any amounts between funds without action of the Board of Commissioners except when transferring

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

amounts within and between funds for the sole purpose of funding salary and benefits adjustments consistent with the Onslow County Personnel Policy. The Finance Officer is to ensure that procedures are implemented to administer this policy. During the year, several amendments to the original budget were necessary.

The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. A budget calendar is included in the North Carolina General Statutes, which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 The budget ordinance shall be adopted by the governing board.

As required by state law [G.S. 159-26(d)], the County maintains encumbrance accounts, which are considered to be “budgetary accounts.” Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. These encumbrances outstanding are reported as “reserved for encumbrances” in the fund balance section of the governmental funds balance sheet and will be charged against the subsequent year’s budget.

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

#### **Deposits and Investments**

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

State law [G.S. 159-30(c)(8)] authorizes the County, the Hospital, and the ABC Board 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).

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The County, the Hospital, and the ABC Board's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value. The NCCMT Government Portfolio, is a SEC-registered (2a-7) fund which invests in treasuries and government agencies and is rated AAAM by S&P and AAA-mf by Moody's Investor Services. The Government Portfolio is reported at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. 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.

In accordance with state law, the County, the Hospital, and the ABC Board have invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

### Cash and Cash Equivalents

The County pools their money from several funds to facilitate disbursement and investment and to maximize investment income. Investment earnings are allocated to all funds based on the cash balance outstanding at the end of each month. The ABC Board considers all highly liquid investments (including restricted assets) with an original maturity of three months or less to be cash and cash equivalents and records them at cost. For the Hospital, cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

### Restricted Assets

The unspent grant proceeds in the Grant Project Fund and the Airport Operations Fund are classified as restricted assets. Cash in the Capital Project Fund and School Construction Fund from unspent debt and in the Grant Project Fund from unexpended opioid settlement proceeds are classified as restricted.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>		
Capital Project Fund	Unspent debt proceeds	\$ 222,849
School Construction Fund	Unspent debt proceeds	3,090,265
Grant Project Fund	Advance from grantor	34,641,641
	Unspent opioid settlement proceeds	<u>406,773</u>
Total		<u>\$ 38,361,528</u>
<b>Business-Type Activities:</b>		
Airport Fund	Advance from grantor	<u>\$ 34,267,670</u>
Total		

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

Restricted funds of the Hospital are used to differentiate resources, the use of which is restricted by donors, or grantors, from resources of general funds on which donors or grantors place no restriction or that arise as a result of the operations of the Hospital for its stated purposes. Funds restricted by donors for plant replacement and expansion are reclassified to the unrestricted fund balance to the extent expended within the period. Funds restricted by donors for specific operating purposes are reported in other revenue to the extent used within the period for the designated purpose. Restricted cash and investments include assets set aside by the Hospital's Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, therefore these assets are not considered to be cash equivalents.

### **Ad Valorem Taxes Receivable**

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021. The County does not currently allow discounts that apply to taxes paid prior to the due date.

### **Leases Receivable**

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

### **Allowances for Doubtful Accounts**

Allowances for doubtful accounts are maintained on all types of receivables that historically experience uncollectable amounts. Allowances are based on collection experience and management evaluation of the current status of existing receivables.

### **Inventories and Prepaid Items**

The inventories of the County, the Hospital, and the ABC Board are valued at cost (first-in, first-out), which approximates market values. The County's General Fund inventory consists of expendable supplies that are recorded as expenditures when purchased. The inventory of the County's enterprise funds as well as those of the Hospital and the ABC Board consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds and that of the Hospital and the ABC Board is recorded as an expense as it is consumed or sold.

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



# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The County has established capitalization thresholds of \$1,500 for technological equipment and \$5,000 for all other capital items. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Boards of Education properties that are included in the County's capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Boards of Education give those entities 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 respective entities 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 Boards of Education.

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

<b>Assets</b>	<b>Estimated Useful Lives</b>
Furniture and office equipment	3 to 5 years
Maintenance and construction equipment	10 years
Buildings and improvements	15 to 30 years
Automobiles and trucks	4 years

Property, plant, and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<b>Assets</b>	<b>Estimated Useful Lives</b>
Buildings	20 years
Furniture and equipment	10 years
Vehicles	3 to 5 years
Leasehold improvements	10 to 20 years

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

For the Hospital, depreciation is computed by the straight-line method over the estimated useful lives of the assets as follows:

<b>Assets</b>	<b>Estimated Useful Lives</b>
Buildings and improvements	10 to 40 years
Land improvements	10 to 40 years
Equipment	5 to 15 years

### Right to Use Assets

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

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The County has several items that meet this criteria – a charge on refunding, OPEB deferrals and pension 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 the criteria for this category – property taxes receivable, prepaid taxes, ambulance receivable, lease deferrals, OPEB deferrals and pension deferrals.

### Long-Term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Bond premium and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expenses over the life of the debt.

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

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **Compensated Absences**

The vacation policies of the County, the Hospital, and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave, with such leave being fully vested when earned. For the County's government-wide and proprietary funds, the Hospital, and the ABC Board, an expense and a liability for compensated absences and the salary-related payments are recorded as leave when earned.

The sick leave policies of the County, the Hospital, and the ABC Board provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

### **Opioid Settlement Funds**

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

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

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

The County received \$406,773 as part of this settlement in fiscal year 2022. Per the terms of the MOA, the County was to create a special revenue fund, the Opioid Settlement, to account for these funds. The County placed the funds in a special revenue fund, however they did not create a separate fund. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. No funds have been expended as of June 30, 2022. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Net Position/Fund Balances

#### Net Position

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

#### Fund Balances

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

The governmental fund types classify fund balances as follows:

#### Non-Spendable Fund Balance

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

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

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

*Notes Receivable* – portion of fund balance that is not an available resource because it represents the year-end balance of the loan receivable, which is not spendable resources.

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

#### Restricted Fund Balance

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

*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

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as non-spendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

*Restricted for Sheriff and Animal Services* – portion of fund balance in the General Fund restricted for use of law enforcement from controlled substance tax, SCIF grants, and federal equity sharing monies. Also, included are private donations for animal control. In the other governmental funds, it represents the aggregate fund balance for two special revenue funds: the Memorial Fund and Emergency Telephone System Fund.

*Restricted for Economic and Physical Development* – portion of fund balance that can only be used for economic development.

*Restricted for Human Services* – portion of fund balance in the General Fund to be used to pay Health Program costs and amounts restricted by the revenue source for program expenditures. In the other governmental funds, it is the portion of the fund balance remaining as result of undistributed guardianship receipts.

*Restricted for General Government* – portion of fund balance in the General Fund that represents occupancy tax balances restricted to specific tourism projects.

In the Capital Project Fund, it represents the portion of fund balance that is for future capital improvements. In the other governmental funds, it represents the portion of fund balance that is restricted by revenue source to pay for computer equipment and imaging technology for the Register of Deeds office.

*Restricted for Education* – portion of fund balance that can only be used for School Capital Projects per G.S. 18B-805(d).

Restricted fund balance at June 30, 2022 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Capital Project Fund</b>	<b>School Construction Fund</b>	<b>Total Restricted</b>
Restricted, all other:					
Human services	\$ 6,330,887	\$ 627,446	\$ -	\$ -	\$ 6,958,333
Sheriff and animal services	689,746	253,433	-	-	943,179
Economic and physical development	1,871,865	-	-	-	1,871,865
General government	7,650,476	393,242	2,353,804	-	10,397,522
Education	-	-	-	3,090,265	3,090,265
Total	<u>\$ 16,542,974</u>	<u>\$ 1,274,121</u>	<u>\$ 2,353,804</u>	<u>\$ 3,090,265</u>	<u>\$ 23,261,164</u>

## ONslow COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds less accounts payable from those restricted assets of \$3,090,265, and the restriction for the Register of Deeds' pension plan of \$482,672 for a net difference of \$2,607,593.

#### Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing body 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 Economic and Physical Development* – represents the portion of fund balance that has been committed to waterway projects necessary for continued development within the County.

*Committed for Public Safety* – represents the portion of fund balance committed for LEO Separation Allowance.

*Committed for General Government* – represents the portion of fund balance in the Capital Reserve fund that is committed for County capital projects, as well as fund balances for workers' compensation and other benefits.

*Committed for Education* – represents the portion of fund balance in the Capital Reserve fund that is committed for capital projects relating to Onslow County Schools.

Committed fund balance at June 30, 2022 is as follows:

<b>Purpose</b>	<b>General Fund</b>	<b>School Construction Fund</b>	<b>Total Governmental Funds</b>
Committed:			
Economic and physical development	\$ 2,544,132	\$ -	\$ 2,544,132
Public safety	1,584,337	-	1,584,337
General government	6,713,221	-	6,713,221
Education	24,985,555	2,995,794	27,981,349
Total	<u>\$ 35,827,245</u>	<u>\$ 2,995,794</u>	<u>\$ 38,823,039</u>

#### Assigned Fund Balance

Assigned fund balance is the portion of fund balance that Onslow County intends to use for specific purposes. The County's governing body has the authority to assign fund balance.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

*Subsequent Year's Expenditures* – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted and committed. The governing body approves the appropriation.

*Assigned for General Government* – represents the portion of fund balance that has not yet been expended on the Public Safety Memorial and is being held in a separate account for that specific purpose.

<b>Purpose</b>	<b>General Fund</b>
Assigned:	
Subsequent year's expenditures	\$ 10,774,208
General government	11,910
Total	<u>\$ 10,786,118</u>

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

Onslow County has a revenue spending policy that provides 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 non-County funds, and County funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the County or when required by grant or other contractual agreements.

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 8% of budgeted expenditures.

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	\$ 145,605,460
<b>Less:</b>	
Inventories	(448,573)
Prepaid items	(632,747)
Leases	(211)
Note receivable	(1,091,965)
Stabilization by state statute	<u>(27,887,163)</u>
Total available fund balance	<u>\$ 115,544,801</u>

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Outstanding encumbrances represent amounts needed to pay commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Purpose</u>	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>School Construction Fund</u>
Encumbrances	\$ 3,038,922	\$ 988,390	\$ 94,371

### Defined Benefit Cost-Sharing Plans

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

## 2. Stewardship, Compliance, and Accountability

### Deficit Net Position of Individual Funds

At year-end, the County reported deficit fund balance or net position in the following fund:

Grant Project Fund                      \$326,835

**Corrective Action Plan:** The County plans to make transfers to the Grant Project Fund to cover the deficit fund balance.

### Non-Compliance

The County did not place \$406,773 of opioid settlement funds in a separate special revenue fund. The Memorandum of Agreement between the State of North Carolina and the local governments requires a local government receiving opioid settlement funds to secure them in a separate special revenue fund.

**Corrective Action:** The County will create an agenda item to go before the Board of Commissioners to move the opioid settlement funds into a separate special revenue fund.



# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 3. Detail Notes On All Funds

#### A. Assets

##### Deposits

All of the County's, the Hospital's, and the ABC Board's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County's, the Hospital's, or the ABC Board's 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, the Hospital, and the ABC Board, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, the Hospital, or the ABC Board or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, the Hospital, or the ABC Board under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and to monitor them for compliance. The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, the Hospital, and the ABC Board rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the County's deposits had a carrying amount of \$23,831,567, and a bank balance of \$22,529,747. Of the bank balance, \$500,000 was covered by federal depository insurance, and the balance was covered by collateral held under the Pooling Method. At June 30, 2022, the County had \$12,627 cash on hand.

At June 30, 2022, the ABC Board's deposits had a carrying amount of approximately \$5,221,411 and a bank balance of approximately \$5,138,017. Of the bank balance, approximately \$250,000 was covered by federal depository insurance, and the balance was covered by collateral held under the Pooling Method.

At September 30, 2021, the Hospital's deposits had a carrying amount of approximately \$12,151,000 and a bank balance of approximately \$13,540,000. Of the bank balance, approximately \$500,000 was covered by federal depository insurance, and the balance was covered by collateral held under the Pooling Method.

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **Investments**

At June 30, 2022, the County had the following investments and maturities:

<b>Investment Type</b>	<b>Valuation Measurement Method</b>	<b>Fair Value</b>	<b>Less Than 6 Months</b>
Certificate of Deposit - First Bank	Fair Value - Level 2	\$ 2,627,044	\$ 2,627,044
North Carolina Capital Management Trust - Government Portfolio	Fair Value - Level 1	226,461,066	226,461,066
North Carolina Capital Management Trust - Government Portfolio (held through US Bank)	Fair Value - Level 1	3,482,071	3,482,071
Total		<u>\$ 232,570,181</u>	<u>\$ 232,570,181</u>

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

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

*Level of Fair Value Hierarchy: Level 1:* Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from 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 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, 2022, the County's investments 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. The County has no formal policy on credit risk.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Custodial Credit Risk.** 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 has no policy on custodial credit risk. The County utilizes 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 Director of Finance.

At September 30, 2021, the Hospital's investments consisted of the following:

Investment Type	Valuation Measurement Method	Fair Value	Less than Year	1 to 5 Years	6 to 10 Years	Allocation Percentage
Cash and cash equivalents	Fair Value - Level 1	\$ 603,987	\$ 603,987	\$ -	\$ -	1%
Short-term bond index fund	Fair Value - Level 1	69,503	69,503	-	-	0%
US Treasury notes	Fair Value - Level 1	2,499,810	2,499,810	-	-	6%
Corporate obligations	Fair Value - Level 2	30,570,507	29,834,709	735,798	-	70%
Foreign obligations	Fair Value - Level 2	5,900,081	5,900,081	-	-	14%
Federal agency obligations	Fair Value - Level 2	3,373,277	1,275,227	1,036,155	1,061,895	8%
Total liquid funds and interest		43,017,165	<u>\$ 40,183,317</u>	<u>\$ 1,771,953</u>	<u>\$ 1,061,895</u>	
Equities:						
Other	Fair Value-Level 1	495,007				1%
Total fair value		<u>\$ 43,512,172</u>				<u>100%</u>

The Hospital's investment policy is subject to the Hospital Authorities Act North Carolina General Statute 159-30. The Hospital may, for fund not required for immediate disbursement, make investments which are permissible for trustees, executors, and other fiduciaries under North Carolina law. Funds designated by the Board of Commissioners are not needed for immediate operating needs and, as such, are invested in a mix of eligible investments, including cash equivalents.

**Interest Rate Risk.** The Hospital's fixed-income portfolio, the asset class within the total pension plan that is most susceptible to changes in interest rates, is bound with respect to duration (a measure of an investment's sensitivity to interest rate changes). The duration of the fixed-income portfolio should not exceed 130%, nor should it be less than 70%, of the Barclay Capital Aggregate Index (formerly the Lehman Brothers Aggregate Index), a fixed-income benchmark.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Credit Risk.** The following details the Hospital's policy regarding credit risk.

Allowable Instruments:

The fixed-income manager must adhere to the following portfolio guidelines for investments:

- a) Instruments issued and fully guaranteed by the U.S. government or any of its agencies and instrumentalities.
- b) Mortgage-backed securities and collateralized mortgage obligations are acceptable, as long as the manager can demonstrate that they meet the specific maturity guidelines outlined for the portfolio. Mortgages are limited to 40% of the fixed-income portfolio.
- c) Instruments issued by domestic corporations, including corporate notes and floating rate notes. Commercial paper must be rated A1, P1, or F1 by the appropriate and approved rating agencies.
- d) Obligations of domestic banks, including banker's acceptances, certificates of deposit, time deposits, notes, and other debt instruments.
- e) Instruments of foreign countries, foreign banks, or foreign corporations must be denominated in U.S. dollars. These instruments are limited to 15% of the fixed-income portfolio.
- f) The following types of Euro issues are permitted: Euro certificates of deposit, banker's acceptances, time deposits, bonds, and floating rate notes
- g) Yankee securities (dollar-denominated securities of foreign issues) are permitted subject to the quality constraints outlined below.

**Credit Quality.** This guideline is intended to give the investment manager sufficient latitude to periodically take advantage of bond quality yield spreads. The average quality shall be no less than 3 based on the following scale:

U.S. Government and Agencies	5.0
AAA	4.0
AA	3.0
A	2.0
BBB	1.0

The minimum quality of any individual security is BBB. If a security is downgraded to below BBB, the manager has the latitude to hold the security if deemed prudent. No more than 10% of the portfolio can be held in bonds rated below A-.

**Custodial Credit Risk.** All investments are uninsured and unregistered and are held by the broker's or dealer's trust department or agent in the Hospital's name.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Concentration of Credit Risk.** In accordance with GASB Statement No. 40, Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3, the Hospital's investments are categorized by investment type. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes could materially affect amounts reported in the financial statements.

### **Property Tax – Use-Value Assessment on Certain Lands**

In accordance with the General Statutes, agriculture, horticulture, and forestland may be taxed by the County at the present use-value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original due date. This tax is immediately due and payable.

The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<b>Year Ended</b>				
<b>June 30</b>	<b>Tax</b>	<b>Interest</b>	<b>Total</b>	
2019	\$ 1,328,272	\$ 315,465	\$ 1,643,737	
2020	1,348,305	198,875	1,547,180	
2021	1,359,755	78,186	1,437,941	
2022	1,400,762	80,544	1,481,306	
Total	<u>\$ 5,437,094</u>	<u>\$ 673,070</u>	<u>\$ 6,110,164</u>	

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **Receivables**

Receivables at the government-wide level at June 30, 2022 were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Due From Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 20,538,973	\$ 4,287,256	\$ 17,360,766	\$ 42,186,995
Capital Projects Fund	445	-	152,568	153,013
School Construction Fund	2,357	-	192,409	194,766
Grants Fund	-	-	53,981	53,981
Other governmental	-	-	30,485	30,485
Total receivables	20,541,775	4,287,256	17,790,209	42,619,240
Allowance for doubtful accounts	(12,669,233)	(1,641,270)	-	(14,310,503)
Total governmental activities	<u>\$ 7,872,542</u>	<u>\$ 2,645,986</u>	<u>\$ 17,790,209</u>	<u>\$ 28,308,737</u>
<b>Business-Type Activities:</b>				
Solid Waste	\$ 832,695	\$ -	\$ 110,706	\$ 943,401
Airport	161,623	-	131,878	293,501
Total business-type activities	<u>\$ 994,318</u>	<u>\$ -</u>	<u>\$ 242,584</u>	<u>\$ 1,236,902</u>

Due from other governments consisted of the following:

<b>Governmental Activities:</b>	
Local option sales tax	\$ 16,686,072
Other taxes	<u>1,104,137</u>
Total	<u>17,790,209</u>
<b>Business-Type Activities:</b>	
Sales tax reimbursement	<u>242,584</u>
Total	<u>\$ 18,032,793</u>

The custodial funds' accounts receivable is presented net of the allowance for uncollectible accounts of \$620,269.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Lease Receivables

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

On July 1, 2021, Onslow County, NC entered into a 332-month lease as Lessor for the use of Viper Tower - Communication Tower. An initial lease receivable was recorded in the amount of \$23,875. As of June 30, 2022, the value of the lease receivable is \$23,223. The lessee is required to make monthly fixed payments of \$100. The lease has an interest rate of 2.5420%. The value of the deferred inflow of resources as of June 30, 2022, was \$23,012, and Onslow County recognized lease revenue of \$863 during the fiscal year. The lessee has 2 extension option(s), each for 120 months.

On July 1, 2021, Onslow County, NC entered into a 18-month lease as Lessor for the use of OAJ Mechanical room #207 - Second Floor. An initial lease receivable was recorded in the amount of \$239. As of June 30, 2022, the value of the lease receivable is \$119. The lessee is required to make annual fixed payments of \$120. The lease has an interest rate of 0.5140%. The value of the deferred inflow of resources as of June 30, 2022, was \$80, and Onslow County recognized lease revenue of \$159 during the fiscal year. Onslow County had a termination period of 1 month as of the lease commencement.

On July 1, 2021, Onslow County, NC entered into a 94-month lease as Lessor for the use of OAJ Space - Room 233. An initial lease receivable was recorded in the amount of \$15,901. As of June 30, 2022, the value of the lease receivable is \$13,696. The lessee is required to make annual fixed payments of \$2,400. The lease has an interest rate of 1.4510%. The value of the deferred inflow of resources as of June 30, 2022, was \$13,874, and Onslow County recognized lease revenue of \$2,026 during the fiscal year. The lessee has 1 extension option(s), each for 60 months. The lessee had a termination period of 1 month as of the lease commencement.

On July 1, 2021, Onslow County, NC entered into a 46-month lease as Lessor for the use of Land - 264 A J Ellis Airport Rd. An initial lease receivable was recorded in the amount of \$57,755. As of June 30, 2022, the value of the lease receivable is \$38,622. The lessee is required to make annual fixed payments of \$19,570. The lease has an interest rate of 0.8930%. The value of the deferred inflow of resources as of June 30, 2022, was \$42,743, and Onslow County recognized lease revenue of \$15,012 during the fiscal year.

On July 1, 2021, Onslow County, NC entered into a 236-month lease as Lessor for the use of Meadowview Ground Lease. An initial lease receivable was recorded in the amount of \$152,576. As of 06/30/2022, the value of the lease receivable is \$145,055. The lessee is required to make annual fixed payments of \$10,000. The lease has an interest rate of 2.3780%. The value of the deferred inflow of resources as of June 30, 2022, was \$144,824, and Onslow County, NC recognized lease revenue of \$7,752 during the fiscal year.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Governmental Activities

Year Ending June 30	Principal	Interest	Total
2023	\$ 617	\$ 583	\$ 1,200
2024	637	563	1,200
2025	649	551	1,200
2026	666	534	1,200
2027	683	517	1,200
2028-2032	3,687	2,313	6,000
2033-2037	4,186	1,814	6,000
2038-2042	4,752	1,248	6,000
2043-2047	5,394	606	6,000
2048-2050	1,952	48	2,000
Total	<u>\$ 23,223</u>	<u>\$ 8,777</u>	<u>\$ 32,000</u>

### Airport Fund

Year Ending June 30	Principal	Interest	Total
2023	\$ 21,546	\$ 544	\$ 22,090
2024	21,630	340	21,970
2025	2,266	134	2,400
2026	2,298	102	2,400
2027	2,332	68	2,400
2028-2032	2,365	25	2,390
Total	<u>\$ 52,437</u>	<u>\$ 1,213</u>	<u>\$ 53,650</u>

### Solid Waste Fund

Year Ending June 30	Principal	Interest	Total
2023	\$ 6,471	\$ 3,539	\$ 10,010
2024	6,716	3,294	10,010
2025	6,876	3,134	10,010
2026	7,039	2,971	10,010
2027	7,206	2,804	10,010
2028-2032	38,671	11,369	50,040
2033-2037	43,448	6,552	50,000
2038-2042	28,628	1,372	30,000
Total	<u>\$ 145,055</u>	<u>\$ 35,035</u>	<u>\$ 180,090</u>



# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 14,751,546	\$ 21,348	\$ (45,637)	\$ -	\$ 14,727,257
Construction in progress	3,282,689	3,345,596	-	(4,279,676)	2,348,609
Total non-depreciable capital assets	<u>18,034,235</u>	<u>3,366,944</u>	<u>(45,637)</u>	<u>(4,279,676)</u>	<u>17,075,866</u>
<b>Depreciable Capital Assets:</b>					
Buildings	141,505,194	24,385	-	-	141,529,579
Improvements	27,191,178	510,047	(6,552)	4,279,676	31,974,349
Equipment	21,839,927	912,029	(192,428)	(8,995)	22,550,533
Computer equipment	7,733,378	782,717	(158,484)	-	8,357,611
Vehicles	13,115,919	398,294	(1,558,701)	33,357	11,988,869
Heavy equipment	338,488	-	-	-	338,488
Total depreciable capital assets	<u>211,724,084</u>	<u>2,627,472</u>	<u>(1,916,165)</u>	<u>4,304,038</u>	<u>216,739,429</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	46,624,463	4,151,553	-	-	50,776,016
Improvements	14,305,880	1,138,600	(4,205)	-	15,440,275
Equipment	11,560,944	1,365,605	(319,147)	(8,995)	12,598,407
Computer equipment	6,917,680	688,821	-	-	7,606,501
Vehicles	8,962,097	1,594,883	(1,513,333)	33,357	9,077,004
Heavy equipment	272,615	20,856	-	-	293,471
Total accumulated depreciation	<u>88,643,679</u>	<u>\$ 8,960,318</u>	<u>\$ (1,836,685)</u>	<u>\$ 24,362</u>	<u>95,791,674</u>
Total depreciable capital assets	<u>123,080,405</u>				<u>120,947,755</u>
Total depreciable capital assets, net	<u>\$ 141,114,640</u>				<u>\$ 138,023,621</u>

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

General government	\$ 2,401,515
Public safety	4,797,728
Economic and physical development	92,069
Human services	1,183,531
Cultural and recreational	459,473
Environmental protection	<u>26,002</u>
Total	<u>\$ 8,960,318</u>

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	Balance July 1, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
<b>Business-Type Activities:</b>					
<b>Solid Waste:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,284,081	\$ -	\$ -	\$ -	\$ 1,284,081
Construction in progress	505,915	35,150	-	-	541,065
Total non-depreciable capital assets	<u>1,789,996</u>	<u>35,150</u>	<u>-</u>	<u>-</u>	<u>1,825,146</u>
<b>Depreciable Capital Assets:</b>					
Buildings	2,213,018	-	-	-	2,213,018
Improvements	29,774,144	-	-	-	29,774,144
Equipment	840,121	59,419	-	-	899,540
Computer equipment	65,995	1,650	-	-	67,645
Vehicles	732,270	-	(17,032)	-	715,238
Heavy equipment	5,959,966	357,780	-	-	6,317,746
Total depreciable capital assets	<u>39,585,514</u>	<u>418,849</u>	<u>(17,032)</u>	<u>-</u>	<u>39,987,331</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	2,126,413	5,365	-	-	2,131,778
Improvements	20,137,709	884,428	-	-	21,022,137
Equipment	394,527	134,529	-	-	529,056
Computer equipment	7,462	21,963	-	-	29,425
Vehicles	724,634	3,819	(17,032)	-	711,421
Heavy equipment	3,081,314	463,652	-	-	3,544,966
Total accumulated depreciation	<u>26,472,059</u>	<u>\$ 1,513,756</u>	<u>\$ (17,032)</u>	<u>\$ -</u>	<u>27,968,783</u>
Total depreciable capital assets, net	<u>13,113,455</u>				<u>12,018,548</u>
Solid Waste capital assets, net	<u>14,903,451</u>				<u>13,843,694</u>
<b>Airport:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	870,894	\$ -	\$ -	\$ -	870,894
Construction in progress	2,693	5,209,058	-	(4,974,499)	237,252
Total non-depreciable capital assets	<u>873,587</u>	<u>5,209,058</u>	<u>-</u>	<u>(4,974,499)</u>	<u>1,108,146</u>
<b>Depreciable Capital Assets:</b>					
Buildings	36,022,545	-	-	-	36,022,545
Improvements	29,341,640	-	(1,496,514)	4,974,499	32,819,625
Equipment	6,107,864	38,208	-	8,995	6,155,067
Computer equipment	44,742	-	-	-	44,742
Vehicles	1,302,963	756,085	(511,203)	(33,357)	1,514,488
Heavy equipment	137,798	90,175	-	-	227,973
Total depreciable capital assets	<u>72,957,552</u>	<u>884,468</u>	<u>(2,007,717)</u>	<u>4,950,137</u>	<u>76,784,440</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	5,527,738	1,177,971	-	-	6,705,709
Improvements	11,174,688	1,234,803	(1,496,514)	-	10,912,977
Equipment	1,345,938	406,296	-	8,995	1,761,229
Computer equipment	44,742	-	-	-	44,742
Vehicles	1,259,116	88,914	(511,203)	(33,357)	803,470
Heavy equipment	110,381	6,506	-	-	116,887
Total accumulated depreciation	<u>19,462,603</u>	<u>\$ 2,914,490</u>	<u>\$ (2,007,717)</u>	<u>\$ (24,362)</u>	<u>20,345,014</u>
Total depreciable capital assets, net	<u>53,494,949</u>				<u>56,439,426</u>
Airport capital assets, net	<u>54,368,536</u>				<u>57,547,572</u>
Business-type activities capital assets, net	<u>\$ 69,271,987</u>				<u>\$ 71,391,266</u>

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Hospital leases the Hospital's property and plant from the County of Onslow. The real estate is leased to the Hospital under a long-term lease that ends December 31, 2056. Under this lease agreement, the Hospital has the ability to grant a mortgage on the Hospital's leasehold interest over the real estate to the holder of the mortgage securing the Hospital financing for the repaying of principal and interest on any of the bonds originally issued to partially finance construction of the Hospital's expansion of its facilities.

Capital asset activity for the Hospital for the year ended September 30, 2021, was as follows:

	Balance September 30, 2020	Increases	Decreases	Balance September 30, 2021
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 4,629,518	\$ -	\$ -	\$ 4,629,518
Construction in progress	1,417,987	3,610,799	(2,124,352)	2,904,434
Total capital assets not being depreciated	<u>6,047,505</u>	<u>3,610,799</u>	<u>(2,124,352)</u>	<u>7,533,952</u>
<b>Depreciable Capital Assets:</b>				
Land improvements	1,040,282	-	-	1,040,282
Buildings and improvements	89,611,623	2,160,105	-	91,771,728
Equipment	85,487,259	1,944,958	(179,664)	87,252,553
Total depreciable capital assets	<u>176,139,164</u>	<u>4,105,063</u>	<u>(179,664)</u>	<u>180,064,563</u>
<b>Less Accumulated Depreciation:</b>				
Total accumulated depreciation	<u>116,205,765</u>	<u>7,133,404</u>	<u>(169,393)</u>	<u>123,169,776</u>
Total depreciable capital assets, net	<u>65,980,904</u>	<u>\$ (3,028,341)</u>	<u>\$ (10,271)</u>	<u>56,894,787</u>
Hospital capital assets, net	<u>\$ 67,398,891</u>			<u>\$ 64,428,739</u>

Capital asset activity for the ABC Board for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 2,454,553	\$ -	\$ (80,926)	\$ 2,373,627
<b>Depreciable Capital Assets:</b>				
Buildings	5,975,061	-	(380,259)	5,594,802
Furniture/equipment	1,292,787	17,898	(52,919)	1,257,766
Vehicles	232,912	63,895	-	296,807
Leasehold improvements	568,826	-	(9,035)	559,791
Total depreciable capital assets	<u>8,069,586</u>	<u>81,793</u>	<u>(442,213)</u>	<u>7,709,166</u>
<b>Less Accumulated Depreciation:</b>				
Buildings and fixed equipment	2,041,628	172,854	(241,087)	1,973,395
Furniture/equipment	913,329	101,060	(52,919)	961,470
Vehicles	150,494	29,850	-	180,344
Leasehold improvements	189,675	25,124	(9,035)	205,764
Total accumulated depreciation	<u>3,295,126</u>	<u>328,888</u>	<u>(303,041)</u>	<u>3,320,973</u>
Total depreciable capital assets, net	<u>4,774,460</u>	<u>\$ (247,095)</u>	<u>\$ (220,098)</u>	<u>4,388,193</u>
Total ABC Board capital assets, net	<u>\$ 7,229,013</u>			<u>\$ 6,761,820</u>

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **Right-to-Use Assets**

The County has recorded seventy-two right-to-use leased assets. The assets are right-to-use assets for leased land, leased building/infrastructure and leased vehicles/equipment. The related leases are discussed in the leases subsection of the long-term obligations section of this note. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases.

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
<b>Governmental Activities:</b>				
Right-to-use assets:				
Leased buildings and infrastructure	\$ -	\$ 20,897	\$ -	\$ 20,897
Leased vehicles and equipment	-	1,297,798	-	1,297,798
Total right-to-use assets	-	1,318,695	-	1,318,695
Less: accumulated amortization:				
Leased buildings and infrastructure	-	10,448	-	10,448
Leased vehicles and equipment	-	376,361	-	376,361
Total accumulated amortization	-	386,809	-	386,809
Total right-to-use assets, net	<u>\$ -</u>	<u>\$ 931,886</u>	<u>\$ -</u>	<u>\$ 931,886</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
<b>Solid Waste:</b>				
Right-to-use assets:				
Leased land	\$ -	\$ 14,879	\$ -	\$ 14,879
Less: accumulated amortization:				
Leased land	-	7,215	-	7,215
Total right-to-use assets, net	<u>\$ -</u>	<u>\$ 7,664</u>	<u>\$ -</u>	<u>\$ 7,664</u>

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **B. Liabilities**

#### **Payables**

Payables at the government-wide level at June 30, 2022 were as follows:

	<u>Vendors</u>	<u>Salaries and Benefits</u>	<u>Deposits</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 4,584,785	\$ 5,470,855	\$ 2,525,461	\$ 12,581,101
Capital Projects Fund	2,011,794	-	-	2,011,794
Other governmental	1,045	-	-	1,045
Total governmental activities	<u>\$ 6,597,624</u>	<u>\$ 5,470,855</u>	<u>\$ 2,525,461</u>	<u>\$ 14,593,940</u>
<b>Business-Type Activities:</b>				
Solid Waste	\$ 135,898	\$ 245,983	\$ -	\$ 381,881
Airport	531,988	167,439	-	699,427
Total business-type activities	<u>\$ 667,886</u>	<u>\$ 413,422</u>	<u>\$ -</u>	<u>\$ 1,081,308</u>

### **Pension Plan Obligations**

#### **Local Governmental Employees' Retirement System**

**Plan Description.** The County and the ABC Board are participating employers in the state-wide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or a [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at the 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are

## ONslow COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2022 was 12.10% of compensation for law enforcement officers and 11.35% 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 plan from the County were \$6,600,166 for the year ended June 30, 2022. Contributions to the pension plan by the ABC Board were \$267,977 for the year ended June 30, 2022.

*Refunds of Contributions* – County and ABC Board 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, 2022, the County reported a liability of \$11,994,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measured as of June 30, 2021), the County's proportion was 0.78211%, which was a decrease of 0.011% from its proportion as of June 30, 2021 (measured as of June 30, 2020).

For the year ended June 30, 2022, the County recognized pension expense of \$4,735,418. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,815,852	\$ -
Changes of assumptions	7,535,552	-
Net difference between projected and actual earnings on pension plan investments	-	17,136,406
Changes in proportion and differences between County contributions and proportionate share of contributions	-	1,213,540
County's contributions subsequent to the measurement date	6,600,166	-
Total	<u>\$ 17,951,570</u>	<u>\$ 18,349,946</u>

\$6,600,166 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2023	\$ 575,431
2024	(879,652)
2025	(1,450,477)
2026	(5,243,844)
2027	-
Thereafter	-
Total	<u>\$ (6,998,542)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

## ONSLOW COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The plan currently uses mortality rate based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation, with the exception of the discount rate, were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over the multiple 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation sensitive	<u>6.0%</u>	4.0%
Total	<u>100.00%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.



## ONslow COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

**Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the County's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ 46,561,292</u>	<u>\$ 11,994,408</u>	<u>\$ (16,452,130)</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.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – ABC Board.** At June 30, 2022, the Board reported a liability of \$345,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Board's proportion of the net pension asset was based on a projection of the Board's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Board's proportion was 0.02255% which was an increase of .00032% from its proportion measured as of June 30, 2020.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

For the year ended June 30, 2022, the Board recognized pension expense of \$206,639. At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 110,020	\$ -
Changes of assumptions	217,267	-
Net difference between projected and actual earnings on pension plan investments	-	494,081
Changes in proportion and differences between County contributions and proportionate share of contributions	117,517	-
County's contributions subsequent to the measurement date	267,977	-
Total	<u>\$ 712,781</u>	<u>\$ 494,081</u>

\$267,977 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2023	\$ 81,228
2024	33,857
2025	(13,170)
2026	(151,192)
2027	-
Thereafter	-
Total	<u>\$ (49,277)</u>

The Board's plan uses the same actuarial assumptions, and discount rate information as previously reported.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Sensitivity of the Board's Proportionate Share of the Net Pension as Set to Changes in the Discount Rate.** The following represents the Board's proportionate share of the net pension asset calculated using the discount rate of 6.5 percent, as well as what the Board's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Board's proportionate share of the net pension liability (asset)	<u>\$ 1,342,467</u>	<u>\$ 345,826</u>	<u>\$ (474,352)</u>

### Law Enforcement Officers' Special Separation Allowance

**Plan Description.** Onslow 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 the age of 55 years of age and have completed five years or more of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G. S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. A separate report was not issued for the plan.

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of 152 active plan members and 18 retired members receiving benefits.

### 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.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Actuarial Assumptions

The entry age normal actuarial cost method was used in the December 31, 2020 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	2.25 percent

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

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

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

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

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

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

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

**Contributions.** The County is required by Article 12D of G. S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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. The County paid \$256,803 as benefits came due for the reporting period.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

At June 30, 2022, the County reported a total pension liability of \$5,342,353. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the County recognized pension expense of \$767,529.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 462,075	\$ 121,759
Changes of assumptions	948,513	153,586
County's benefit payments and plan administrative expense made subsequent to the measurement date	218,638	-
Total	<u>\$ 1,629,226</u>	<u>\$ 275,345</u>

The County paid \$218,638 in benefit payments made subsequent to the measurement date that are reported as deferred outflows of resources related to pensions, which will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2023	\$ 310,447
2024	272,594
2025	292,883
2026	252,935
2027	6,384
Thereafter	-
Total	<u>\$ 1,135,243</u>

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

*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 2.25%, 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 (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	<u>\$ 5,809,368</u>	<u>\$ 5,342,353</u>	<u>\$ 4,916,435</u>

### **Schedule of Changes in Total Pension Liability Law Enforcement Officer's Special Separation Allowance**

	<b>2022</b>
Beginning balance	\$ 5,138,826
Service cost	324,675
Interest on total pension liability	96,701
Differences between expected and actual experience in the measurement of the total pension liability	183,825
Changes of assumptions or other inputs	(144,871)
Benefit payments	<u>(256,803)</u>
Ending balance of the total pension liability	<u>\$ 5,342,353</u>

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 1.93 percent at December 31, 2020 to 2.25 percent at December 31, 2021.

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

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

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### **Supplemental Retirement Income Plan for Law Enforcement Officers**

**Plan Description.** The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes pension trust fund financial statements for the Internal Revenue Code Section 401 (k) plan that includes the 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 that the County contribute each month an amount equal to 5% of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County contributed \$836,646 for the reporting year, which consisted of \$435,129 from the County and \$401,517 from the law enforcement officers and other employees. No amounts were forfeited.

**Supplemental Retirement Income Plan (401k) for Non Law Enforcement Officers.** The County has chosen to extend the supplemental retirement income plan (401k) to non-law enforcement employees. The county contributes an amount equal ranging from .5% to 1% of all gross earnings for qualified permanent full-time employees, and additionally matches the employee contribution up to a total from 2% to 4% of gross earnings depending on employment date. Contributions for the year ended June 30, 2022 were \$2,998,420, which consisted of \$1,191,346 from the County and \$1,807,074 from employees.

**Deferred Compensation Plan.** The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, which is 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.

The County has complied with changes in the laws which 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 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.

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Register of Deeds' Supplemental Pension Fund

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

**Benefits Provided.** An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service as a register of deeds with the individual's share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

**Contributions.** Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by the General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$26,843 for the year ended June 30, 2022.

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

At June 30, 2022, the County reported an asset of \$420,396 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating 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, 2021 (measurement date), the County's proportion was 2.18808%, which was a decrease of 0.07627% from its proportion measured as of June 30, 2020.



# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

For the year ended June 30, 2022, the County recognized pension expense of \$26,919. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,486	\$ 5,098
Changes of assumptions	30,655	-
Net difference between projected and actual earnings on pension plan investments	-	1,291
Changes in proportion and differences between County contributions and proportionate share of contributions	21,196	14,515
County's contributions subsequent to the measurement date	<u>26,843</u>	<u>-</u>
Total	<u>\$ 83,180</u>	<u>\$ 20,904</u>

\$26,843 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ending June 30, 2023. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2023	\$ 13,374
2024	13,240
2025	(985)
2026	9,804
2027	-
Thereafter	-
Total	<u>\$ 35,433</u>

**Actuarial Assumptions.** The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	3.0 percent, net of pension plan investment expense, including inflation

## ONslow COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience as of December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons.

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% 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, 2021 is 1.4%.

The information above is based on 30-year expectations developed with the consulting actuary as part of a study conducted in 2016, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that contributions from employers will be made at statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

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

	<b>1% Decrease (2.00%)</b>	<b>Discount Rate (3.00%)</b>	<b>1% Increase (4.00%)</b>
County's proportionate share of the net pension liability (asset)	<u>\$ (333,923)</u>	<u>\$ (420,396)</u>	<u>\$ (493,062)</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 (ACFR) for the State of North Carolina.

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

The net pension liability for LGERS and ROD was measure as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability for LEOSSA was measured as of June 30, 2021, with an actuarial valuation date of December 31, 2020. 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:

	<b>LGERS</b>	<b>ROD</b>	<b>LEOSSA</b>	<b>Total</b>
Proportionate share of net pension liability (asset)	\$ 11,994,408	\$ (420,396)	\$ -	\$ 11,574,012
Proportion of the net pension liability (asset)	0.78211%	2.18808%	N/A	-
Total pension liability	-	-	5,342,353	5,342,353
Pension expense	4,735,418	26,919	767,529	5,529,866

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

At June 30, 2022, 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>
<b>Deferred Outflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ 3,815,852	\$ 4,486	\$ 462,075	\$ 4,282,413
Changes of assumptions	7,535,552	30,655	948,513	8,514,720
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	-	21,196	-	21,196
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA) subsequent to the measurement date	<u>6,600,166</u>	<u>26,843</u>	<u>218,638</u>	<u>6,845,647</u>
Total	<u>\$17,951,570</u>	<u>\$ 83,180</u>	<u>\$1,629,226</u>	<u>\$19,663,976</u>

	<u>LGERS</u>	<u>ROD</u>	<u>LEOSSA</u>	<u>Total</u>
<b>Deferred Inflows of Resources:</b>				
Pensions - difference between expected and actual experience	\$ -	\$ 5,098	\$ 121,759	\$ 126,857
Pensions - difference between projected and actual investment earnings	17,136,406	1,291	-	17,137,697
Changes of assumptions	-	-	153,586	153,586
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions	<u>1,213,540</u>	<u>14,515</u>	<u>-</u>	<u>1,228,055</u>
Total	<u>\$18,349,946</u>	<u>\$ 20,904</u>	<u>\$ 275,345</u>	<u>\$18,646,195</u>

### **Other Post-Employment Benefits - Healthcare Benefits**

**Plan Description.** Under County policy, Onslow County provides postemployment healthcare benefits through a single- employer defined benefit Healthcare Benefits Plan (HCB Plan). The Board of Commissioners may amend the benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**Benefits Provided.** As of July 1, 2009, this plan does not provide postemployment healthcare benefits to retirees of the County with a hire date after June 30, 2009. For employees hired prior to July 1, 2009, this plan provides postemployment healthcare benefits to retirees who participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least ten years of continuous employment with Onslow County Government immediately preceding retirement, twelve months of which may be represented by accumulated sick leave as calculated by the System. The County has elected to a portion of the cost of coverage for these benefits to qualified retirees until the age of 65. Also, qualified County retirees can purchase coverage for their dependents at the County's group rates. A separate report was not issued for the plan.

Membership of the plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefit payments	131
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	193
Total	<u>324</u>

### Total OPEB Liability

The County's total OPEB liability of \$20,720,525 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real wage growth	0.75 percent
Wage inflation	3.25 percent
Salary increases	
General employees	3.25 to 8.41 percent, including wage inflation
Firefighters	3.25 to 8.15 percent, including wage inflation
Law enforcement officers	3.25 to 7.90 percent, including wage inflation
Municipal Bond Index Rate:	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare Cost Trends:	
Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2031

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2021</b>	\$ 21,332,321
<b>Changes for the year:</b>	
Service cost	584,491
Interest	467,887
Differences between expected and actual experience	(1,681,217)
Changes of assumptions or other inputs	1,516,121
Benefit payments	<u>(1,499,078)</u>
<b>Net changes</b>	<u>(611,796)</u>
<b>Balance at June 30, 2022</b>	<u><u>\$ 20,720,525</u></u>

Changes in assumptions and other inputs reflect a change in the Municipal Bond Index Rate from 2.21% to 2.16%.

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Current (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	<u><u>\$ 22,057,878</u></u>	<u><u>\$ 20,720,525</u></u>	<u><u>\$ 19,480,629</u></u>

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

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

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 19,286,731	\$ 20,720,525	\$ 22,322,691

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

For the year ended June 30, 2022, the County recognized OPEB expense of \$98,619. At June 30, 2022, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 54,550	\$ 2,280,423
Changes of assumptions	1,921,894	63,449
Benefit payments and plan administrative expense made subsequent to the measurement date	1,132,478	-
Total	<u>\$ 3,108,922</u>	<u>\$ 2,343,872</u>

\$1,132,478 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2023	\$ (700,398)
2024	340,830
2025	(7,860)
2026	-
2027	-
Thereafter	-
Total	<u>\$ (367,428)</u>

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multi-employer, state-administered, cost-sharing plan funded on a one-year term cost basis.

Lump-sum death benefits are provided to beneficiaries 1) who die in active service after one year of contributing membership in the System, or 2) 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. This payment is equal to the employee's 12 highest months' salary in a row during the 24 months prior to his or her death. The death benefit payments to beneficiaries must be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

### Healthcare Benefits – Onslow County ABC Board

*Plan Description.* Under the terms of a Board resolution, the Board administers a single-employer defined benefit, Healthcare Benefits Plan (the HCB Plan).

*Benefits Provided.* As of February 19, 2008, this plan provides post-employment healthcare benefits to retirees of the Board, provided they participate in the North Carolina Local Governmental Employee's Retirement System and have at least thirty continuous years of creditable service with the Board. The Board pays the full cost of these benefit premium payments for the remainder of their lives. At the age of sixty-five retirees must secure their Medicare Part D prescription drug coverage. The Board will continue to pay 100% of the medical supplement plan and Medicare D prescription drug insurance premiums. Also, the Board's retirees cannot purchase spouse or dependent coverage.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries	
currently receiving benefit payments	2
Inactive plan members entitled to but	
not yet receiving benefit payments	-
Active plan members	55
Total	<u>57</u>

The Board's total OPEB liability of \$467,979 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.



# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Real Wage Growth	0.75 percent
Wage Inflation	3.25 percent
Salary increases:	
General employees	3.25 to 8.41 percent, including wage inflation
Municipal Bond Index Rate:	
Prior measurement date	2.21 percent
Measurement date	2.16 percent
Healthcare Cost Trends:	
Pre-Medicare	7.00 percent for 2021 decreasing to an ultimate rate of 4.50% by 2031

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

	<b>Total OPEB Liability</b>
<b>Balance at June 30, 2021</b>	\$ 582,946
<b>Changes for the year:</b>	
Service cost	44,105
Interest	13,620
Differences between expected and actual experience	(197,292)
Changes of assumptions or other inputs	46,244
Benefit payments	(21,644)
<b>Net changes</b>	(114,967)
<b>Balance at June 30, 2022</b>	\$ 467,979

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019, adopted by LGERS.

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the ABC Board, as well as what the Board's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<b>1% Decrease (1.16%)</b>	<b>Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	\$ 536,689	\$ 467,979	\$ 410,061

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend</b>	<b>1% Increase</b>
Total OPEB liability	\$ 399,184	\$ 467,979	\$ 554,019

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

For the year ended June 30, 2022, the Board recognized OPEB expense (income) of (\$6,653). At June 30, 2022, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 456,339
Changes of assumptions	105,773	73,872
Benefit payments and plan administrative expense made subsequent to the measurement date	8,596	-
Total	\$ 114,369	\$ 530,211

## ONSLOW COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

\$8,596 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Total</b>
2023	\$ (64,378)
2024	(64,378)
2025	(64,378)
2026	(64,378)
2027	(64,378)
Thereafter	(102,548)
Total	<u>\$ (424,438)</u>

#### **Healthcare Benefits – Onslow County Hospital Authority**

*Plan Description:* The Hospital maintains a single-employer defined-benefit medical benefit plan (the OPEB Plan), providing medical insurance benefits to eligible retirees. The Hospital does not issue separate financial statement for this the OPEB Plan.

*Benefits Provided:* The healthcare plan provides two benefits. Under one benefit, eligible employees who retire between the age 55 and 65, who have been continuously employed full time for a minimum of 10 years and have been covered under the current health insurance program for that period immediately preceding retirement may opt to continue health coverage under the current health plan until the eligible employee attains age 65. The Hospital will pay 5% of the premium cost for the retired employee for each year of full-time employment subject to a maximum of 100%. This benefit is referred to as the 55 to 65 benefit.

Under a second benefit, the Hospital will purchase a Medicare supplement insurance policy for eligible employees retiring at or over age 65 who have been continuously employed full time for a minimum of 10 years and has been covered under the current health insurance program for that period immediately preceding retirement and employees attaining age 65. The Hospital also purchases a Medicare supplement insurance policy for individuals receiving the 55 to 65 benefit once they attain age 65. This benefit is referred to as the 65 and over benefit.

*Contributions:* The Hospital does not pre-fund benefits. The current funding policy is to pay benefits directly from general on a pay-as-you-go basis and there is not a trust for accumulating plan assets.

## ONSLOW COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

*Employees Covered by Benefit Terms:* With respect to eligibility, employees hired before June 1, 2013, are eligible (upon meeting the requirements described above) for the 55 to 65 benefit and the 65 and over benefit. Employees hired after June 1, 2013, are eligible (upon meeting the requirements described above) for the 55 to 65 benefit but are not able to participate in the 65 and over benefit. Employee dependents are not covered by the OPEB program. The Board of Commissioners of the Hospital may amend the benefit provisions.

Employee dependents are not covered by the OPEB program. The Board of Commissioners of the Hospital may amend the benefit provisions.

Effective October 1, 2018, actives hired on or after October 1, 2009 are not eligible for benefits. The following is a summary of the participants in the OPEB program as of September 30, 2021:

	<b>Hired Before October 1, 2009</b>
Active employees	228
Retirees	177
Total	<u>\$ 405</u>

*Total OPEB Liability:* The Hospital's total net OPEB liability of \$14,352,790 was measured as of September 30, 2021 and was determined by an actuarial valuation as of September 30, 2021.

*Actuarial Assumptions:* The actuarial cost method used for determining the benefit obligations is the Entry Age Normal Cost Method. Under this method a projected retirement benefit at assumed retirement age is computed for each participant using anticipated future pay increases. The normal cost for each participant is computed as the level percentage of pay which, if paid from each participant's date of employment by the employer or any predecessor employer (thus, entry age) to his or her assumed retirement date, would accumulate with interest at the rate assumed in the valuation to an amount sufficient to fund his or her projected retirement benefit.

The discount rate used to measure the total OPEB liability represents the Bond Buyer's 20-year General Obligation Index coinciding with the measurement date.

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

The total OPEB Plan liability was determined during the following actuarial assumptions, applied to all periods included in the measurement:

	<u><b>2021</b></u>
Discount rate	2.26%
Salary increases, including inflation	2.50%
Mortality:	
Base table	Pub-2010
Projected scale	MP-2020
Medical trend rates:	
Pre-65 medical	
Initial trend rate	5.70%
Ultimate trend rate	3.70%
Year rate reaches ultimate trend	2073+
Post-65 medical	
Initial trend rate	5.50%
Ultimate trend rate	3.70%
Year rate reaches ultimate trend	2073+

*Changes in Total OPEB Liability.* For the years ended September 30, the Hospital's OPEB plan liability changed as follows:

	<u><b>Total OPEB Liability</b></u>
<b>Balance at Beginning of Year</b>	<u><b>\$ 14,129,772</b></u>
Changes for the year:	
Service cost	112,521
Interest	305,218
Effect of liability gains or losses	763,486
Effect of assumption changes or inputs	(90,358)
Benefit payments	<u>(867,849)</u>
Net changes	<u>223,018</u>
<b>Balance at End of Year</b>	<u><b>\$ 14,352,790</b></u>

# **ONSLOW COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

At September 30, 2021 the Hospital reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 669,340	\$ -
Changes of assumptions	807,112	819,438
Benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 1,476,452</u>	<u>\$ 819,438</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB for the Hospital will be recognized in OPEB expense as follows:

<b>Year Ending June 30</b>	<b>Total</b>
2022	\$ 298,398
2023	246,428
2024	112,188
2025	-
2026	-
Thereafter	-
Total	<u>\$ 657,014</u>

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the Hospital, as well as what the Hospital's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.26 percent) or 1-percentage-point higher (3.26 percent) than the current discount rate:

	<b>1% Decrease (1.26%)</b>	<b>Discount Rate (2.26%)</b>	<b>1% Increase (3.26%)</b>
Total OPEB liability	<u>\$ 16,655,077</u>	<u>\$ 14,352,790</u>	<u>\$ 12,538,741</u>

## ONslow COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

	<b>1% Decrease</b>	<b>Healthcare Cost Trend</b>	<b>1% Increase</b>
Total OPEB liability	<u>\$ 12,428,721</u>	<u>\$ 14,352,790</u>	<u>\$ 16,775,825</u>

#### **Onslow County Hospital Authority Retirement Savings Plan**

The Hospital offers a voluntary 403(b) retirement savings plan that is available to all employees. Participants are fully vested in all funds they contribute to the plan. The Hospital matches 50% of each employee's contribution up to a maximum of 3% of eligible earnings. Employees do not become vested in the Hospital's matching contribution until the completion of five years of employment involving a minimum of 1,000 hours of service in each year. Employees become 100% vested in the Hospital's matching contribution to the plan upon completion of the fifth year of employment. The Hospital recognized expense for contributions and plan fees totaling approximately \$863,000 for the year ended September 30, 2021.

During the fiscal year 2015, the Hospital began making supplemental nonmatching contributions to the 403(b) retirement savings plan on behalf of employees with two or more years of service. Employees with more than two but less than 10 years of service receive a nonmatching contribution of 2% of eligible earnings. Employees with 10 or more years of service receive a nonmatching contribution of 3% of eligible earnings. This supplemental contribution was implemented to supplement the overall employee benefits program as a result of the termination of the pension plan during the year. The Hospital recognized expense for nonmatching contributions of \$1,395,000 for the year ended September 30, 2021. Accrued expenses as of September 30, 2021, include approximately \$655,000 related to these supplemental nonmatching contributions. Further, the fiduciary fund made supplemental contributions of \$-0- to the plan during the year ended September 30, 2021.

#### **Landfill Closure and Post-Closure Care Costs- Onslow County Landfill Facility**

State and federal laws and regulations require the County to place a final cover on its two landfill facilities 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 will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The \$17,006,524 reported as landfill closure and post-closure care liability at June 30, 2022 represents a cumulative amount reported to date based on the percentage used of the total estimated capacity of all county landfills. The County will recognize the remaining estimated cost of closure and post-closure care as the remaining estimated capacity is filled. All of the above amounts are based on what it would cost to perform all closure and post-closure care in 2022.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Onslow County closed one facility in the fiscal year ended 1998. As of June 30, 2022, the estimated post-closure care liability for the closed landfill amounted to \$693,554.

The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and post-closure care requirements. The County is not currently required to fund the estimated closure costs of this facility based upon its present financial stability. As of June 30, 2022, the County has used approximately 92.36% of its landfill currently in operation.

### Deferred Outflows and Inflows of Resources

#### Deferred Outflows of Resources:

Difference between expected and actual experience (LGERS, ROD, LEOSSA, OPEB)	\$ 4,336,963
Changes of assumptions (LGERS, ROD, LEOSSA, OPEB)	10,436,614
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions (ROD)	21,196
County contributions (LGERS, ROD)/ benefit payments and administration costs (LEOSSA, OPEB) subsequent to the measurement date	7,978,125
Charge on refunding of debt	5,354,572
	<u>\$ 28,127,470</u>

#### Deferred Inflows of Resources:

Difference between expected and actual experience (LGERS, ROD, LEOSSA, OPEB)	\$ 2,407,280
Pensions - difference between projected and actual investment earnings (LGERS, ROD)	17,137,697
Changes of assumptions (LEOSSA, OPEB)	217,035
Pensions - change in proportion and difference between employer contributions and proportionate share of contributions (LGERS, ROD)	1,228,055
Prepaid taxes not yet earned (General Fund)	256,896
Taxes receivable, net (General Fund)	2,645,986
Other receivables, net (General Fund)	386,003
Lease deferrals	224,533
	<u>\$ 24,503,485</u>



# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Onslow County is self-insured for worker's compensation coverage and contracts with Compensation Claims Solutions for the administration of the plan. The County provides coverage up to the statutory limits and acquires excess loss coverage from a third party provider. Employer's liability coverage is provided up to \$1,000,000 for bodily injury by accident or disease. Current year operations are reported in the Worker's Compensations Fund.

The County is self-insured for its employee health insurance. The plan is administered by Blue Cross Blue Shield of NC. There is a specific stop loss of \$500,000 per covered employee/dependent and an aggregate stop loss of 125% of expected net paid claims. Blue Cross Blue Shield underwrites the reinsurance policies for both the specific and aggregate stop-loss coverage. The County offers employees two types of plan options: 1). Traditional co-pay structured plan (PPO) and 2). Straight Deductible Plan (SDP). The County subsidizes employee premiums based plan type and coverage selections.

The County is fully insured for its employee dental insurance. The policy is provided by MetLife. The County subsidizes the employee premium amounts. The plan is self-sustaining through premiums.

A summary of changes in the aggregate liabilities for health claims are as follows:

	Year Ended June 30	
	2021	2022
Unpaid claims:		
Beginning of year - July 1	\$ 768,538	\$ 839,106
Incurred claims	7,339,849	8,720,457
Claim payments	(7,269,281)	(9,149,992)
End of year - June 30	<u>\$ 839,106</u>	<u>\$ 409,571</u>

A summary of charges in the aggregate liabilities for workers compensation claims are as follows:

	Year Ended June 30	
	2021	2022
Unpaid claims:		
Beginning of year - July 1	\$ 75	\$ 14,452
Incurred claims	524,405	308,658
Claim payments	(510,028)	(321,020)
End of year - June 30	<u>\$ 14,452</u>	<u>\$ 2,090</u>

## **ONSLOW COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

The County carries commercial insurance for all other risks of loss such as general liability, buildings & contents, flood, auto, and wind & hail. There have been no significant reductions in insurance coverage from the previous year and settled claims from these risks have not exceeded the total commercial insurance coverage in any of the last three fiscal years.

In addition to the insurance above, the County carries flood insurance through the National Flood Insurance Plan (NFIP). Because the County is in an area of the state that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP. The County has purchased flood coverage for its beach access site #2. The County was unable to purchase coverage for their other two beach access sites as they are in a Coastal Barrier Resources Area (CBRA).

In accordance with G.S. 159-29, County 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 Finance Officer is individually bonded for \$1,000,000 and the tax collector is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$500,000 with a deductible of \$1,000.

Onslow County ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ABC Board has property, general liability, auto liability, workmen's compensation and employee health coverage. The Board also has liquor legal liability coverage. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

#### **Claims and Judgments**

At June 30, 2022, the County was a defendant to various lawsuits. In the opinion of the County's management and the County attorney, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.

The Hospital Authority is subject to legal proceedings and claims that arise in the course of providing healthcare services. The Hospital Authority maintains malpractice insurance coverage (after self-insured retention limits) for claims made during the policy year, up to the maximum amounts stated in the insurance policy. The Hospital also carries excess malpractice coverage up to specified limits to cover claims in excess of the maximum amounts stated in the basic policy. In the Hospital Authority's management opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for asserted and unasserted claims not covered by the policy and any uninsured liability.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Long-Term Obligations

#### Leases

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

On July 1, 2021, Onslow County, NC entered into a 15-month lease as Lessee for the use of SW - Folkstone Site. An initial lease liability was recorded in the amount of \$5,992. As of June 30, 2022, the value of the lease liability is \$0. Onslow County is required to make annual fixed payments of \$6,000. The lease has an interest rate of 0.3870%. The value of the right to use asset as of June 30, 2022, of \$5,992 with accumulated amortization of \$4,794.

On May 1, 2022, Onslow County, NC entered into a 22-month lease as Lessee for the use of SW - Nine Mile Site. An initial lease liability was recorded in the amount of \$2,964. As of June 30, 2022, the value of the lease liability is \$1,464. Onslow County is required to make annual fixed payments of \$1,500. The lease has an interest rate of 2.4490%. The value of the right to use asset as of June 30, 2022, of \$2,964 with accumulated amortization of \$269. Onslow County has 1 extension option(s), each for 12 months.

On July 1, 2021, Onslow County, NC entered into an 18 month lease as Lessee for the use of Richlands Container Site Lease. An initial lease liability was recorded in the amount of \$1,496. As of June 30, 2022, the value of the lease liability is \$0. Onslow County is required to make annual fixed payments of \$1,500. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$1,496 with accumulated amortization of \$997. Onslow County has 1 extension option(s), each for 12 months.

On February 28, 2022, Onslow County, NC entered into a 60-month lease as Lessee for the use of SO Vehicle - 2596N4. An initial lease liability was recorded in the amount of \$28,455. As of June 30, 2022, the value of the lease liability is \$26,878. Onslow County is required to make monthly fixed payments of \$420. The lease has an interest rate of 1.7060%. The value of the right to use asset as of June 30, 2022, of \$28,455 with accumulated amortization of \$1,912. The lease has a guaranteed residual value payment of \$4,644.

On July 1, 2021, Onslow County, NC entered into a 24-month lease as Lessee for the use of Town of Swansboro Parks and Recreation multipurpose room. An initial lease liability was recorded in the amount of \$9,553. As of June 30, 2022, the value of the lease liability is \$4,787. Onslow County is required to make monthly fixed payments of \$400. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$9,553 with accumulated amortization of \$4,776. Onslow County has 1 extension option(s), each for 12 months. Onslow County had a termination period of 2 months as of the lease commencement.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 24-month lease as Lessee for the use of Richlands United Methodist Church. An initial lease liability was recorded in the amount of \$11,344. As of June 30, 2022, the value of the lease liability is \$5,684. Onslow County is required to make monthly fixed payments of \$475. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$11,344 with accumulated amortization of \$5,672. Onslow County has 1 extension option(s), each for 12 months. Onslow County had a termination period of 2 months as of the lease commencement.

On September 28, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of EMS Vehicle - 23S8LQ. An initial lease liability was recorded in the amount of \$28,460. As of June 30, 2022, the value of the lease liability is \$24,921. Onslow County is required to make monthly fixed payments of \$412. The lease has an interest rate of 1.1610%. The value of the right to use asset as of June 30, 2022, of \$28,460 with accumulated amortization of \$4,309. The lease has a guaranteed residual value payment of \$4,660.

On March 23, 2022, Onslow County, NC entered into a 60-month lease as Lessee for the use of ERS Vehicle - 257BMN. An initial lease liability was recorded in the amount of \$40,614. As of June 30, 2022, the value of the lease liability is \$38,781. Onslow County is required to make monthly fixed payments of \$607. The lease has an interest rate of 2.2040%. The value of the right to use asset as of June 30, 2022, of \$40,614 with accumulated amortization of \$2,201. The lease has a guaranteed residual value payment of \$6,596.

On March 18, 2022, Onslow County, NC entered into a 60-month lease as Lessee for the use of ERS Vehicle - 257BHX. An initial lease liability was recorded in the amount of \$29,796. As of June 30, 2022, the value of the lease liability is \$28,258. Onslow County is required to make monthly fixed payments of \$480. The lease has an interest rate of 2.0460%. The value of the right to use asset as of June 30, 2022, of \$29,796 with accumulated amortization of \$1,693. The lease has a guaranteed residual value payment of \$2,414.

On February 15, 2022, Onslow County, NC entered into a 60-month lease as Lessee for the use of SO Vehicle - 2596LL. An initial lease liability was recorded in the amount of \$24,254. As of June 30, 2022, the value of the lease liability is \$22,494. Onslow County is required to make monthly fixed payments of \$420. The lease has an interest rate of 1.8880%. The value of the right to use asset as of June 30, 2022, of \$24,254 with accumulated amortization of \$1,816.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VX56. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZKG. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077. with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZHN. An initial lease liability was recorded in the amount of \$14,039. As of June 30, 2022, the value of the lease liability is \$9,909. Onslow County is required to make monthly fixed payments of \$349. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$14,039 with accumulated amortization of \$5,809. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZJD. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZK6. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZK9. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Tax Vehicle - 22VZGC. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Planning Vehicle - 22VZJ2. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of Env Hlth Vehicle - 22VZG2. An initial lease liability was recorded in the amount of \$15,655. As of June 30, 2022, the value of the lease liability is \$11,175. Onslow County is required to make monthly fixed payments of \$381. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$15,655 with accumulated amortization of \$6,060. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Env Hlth Vehicle - 22VZJM. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Env Hlth Vehicle - 22VZJV. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of Env Hlth Vehicle - 22VZKB. An initial lease liability was recorded in the amount of \$15,655. As of June 30, 2022, the value of the lease liability is \$11,175. Onslow County is required to make monthly fixed payments of \$381. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$15,655 with accumulated amortization of \$6,060. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Env Hlth Vehicle - 22VZKM. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of Env Hlth Vehicle - 22VZKP. An initial lease liability was recorded in the amount of \$15,655. As of June 30, 2022, the value of the lease liability is \$11,175. Onslow County is required to make monthly fixed payments of \$381. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$15,655 with accumulated amortization of \$6,060. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Env Hlth Vehicle - 22VZPW. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of Env Hlth Vehicle - 22VZQ5. An initial lease liability was recorded in the amount of \$15,077. As of June 30, 2022, the value of the lease liability is \$10,519. Onslow County is required to make monthly fixed payments of \$385. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$15,077 with accumulated amortization of \$6,239. The lease has a guaranteed residual value payment of \$4,030.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of AFM Vehicle - 22VX4V. An initial lease liability was recorded in the amount of \$16,280. As of June 30, 2022, the value of the lease liability is \$11,616. Onslow County is required to make monthly fixed payments of \$397. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$16,280 with accumulated amortization of \$6,302. The lease has a guaranteed residual value payment of \$4,161.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of AFM Vehicle - 22VZFF. An initial lease liability was recorded in the amount of \$16,290. As of June 30, 2022, the value of the lease liability is \$11,616. Onslow County is required to make monthly fixed payments of \$397. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$16,290 with accumulated amortization of \$6,306. The lease has a guaranteed residual value payment of \$4,161.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of AFM Vehicle - 22VZFH. An initial lease liability was recorded in the amount of \$16,290. As of June 30, 2022, the value of the lease liability is \$11,616. Onslow County is required to make monthly fixed payments of \$397. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$16,290 with accumulated amortization of \$6,306. The lease has a guaranteed residual value payment of \$4,161.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of AFM Vehicle - 22VZDP. An initial lease liability was recorded in the amount of \$16,290. As of June 30, 2022, the value of the lease liability is \$11,616. Onslow County is required to make monthly fixed payments of \$397. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$16,290 with accumulated amortization of \$6,306. The lease has a guaranteed residual value payment of \$4,161.

On July 1, 2021, Onslow County, NC entered into a 29-month lease as Lessee for the use of AFM Vehicle - 22VX52. An initial lease liability was recorded in the amount of \$16,205. As of June 30, 2022, the value of the lease liability is \$11,308. Onslow County is required to make monthly fixed payments of \$413. The lease has an interest rate of 0.5140%. The value of the right to use asset as of June 30, 2022, of \$16,205 with accumulated amortization of \$6,706. The lease has a guaranteed residual value payment of \$4,338.

On July 1, 2021, Onslow County, NC entered into a 36-month lease as Lessee for the use of AFM Vehicle - 22XB6K. An initial lease liability was recorded in the amount of \$26,071. As of June 30, 2022, the value of the lease liability is \$19,360. Onslow County is required to make monthly fixed payments of \$572. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$26,071 with accumulated amortization of \$8,690. The lease has a guaranteed residual value payment of \$5,821.

On July 1, 2021, Onslow County, NC entered into a 35-month lease as Lessee for the use of AFM Vehicle - 22XFLJ. An initial lease liability was recorded in the amount of \$25,947. As of June 30, 2022, the value of the lease liability is \$19,167. Onslow County is required to make monthly fixed payments of \$578. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$25,947 with accumulated amortization of \$8,896. The lease has a guaranteed residual value payment of \$6,062.

On July 1, 2021, Onslow County, NC entered into a 35-month lease as Lessee for the use of AFM Vehicle - 22XFLB. An initial lease liability was recorded in the amount of \$25,947. As of June 30, 2022, the value of the lease liability is \$19,167. Onslow County is required to make monthly fixed payments of \$578. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$25,947 with accumulated amortization of \$8,896. The lease has a guaranteed residual value payment of \$6,062.

On July 1, 2021, Onslow County, NC entered into a 35-month lease as Lessee for the use of AFM Vehicle - 22XFKV. An initial lease liability was recorded in the amount of \$26,087. As of June 30, 2022, the value of the lease liability is \$19,307. Onslow County is required to make monthly fixed payments of \$578. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$26,087 with accumulated amortization of \$8,944. The lease has a guaranteed residual value payment of \$6,205.



## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 35-month lease as Lessee for the use of Prks Vehicle - 22XFL8. An initial lease liability was recorded in the amount of \$25,947. As of June 30, 2022, the value of the lease liability is \$19,167. Onslow County is required to make monthly fixed payments of \$578. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$25,947 with accumulated amortization of \$8,896. The lease has a guaranteed residual value payment of \$6,062.

On July 1, 2021, Onslow County, NC entered into a 33-month lease as Lessee for the use of SO Vehicle - 23NBBZ. An initial lease liability was recorded in the amount of \$32,136. As of June 30, 2022, the value of the lease liability is \$23,121. Onslow County is required to make monthly fixed payments of \$767. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,136 with accumulated amortization of \$11,686. The lease has a guaranteed residual value payment of \$7,222.

On July 1, 2021, Onslow County, NC entered into a 34-month lease as Lessee for the use of SO Vehicle - 23C8RF. An initial lease liability was recorded in the amount of \$32,311. As of June 30, 2022, the value of the lease liability is \$23,479. Onslow County is required to make monthly fixed payments of \$751. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,311 with accumulated amortization of \$11,404. The lease has a guaranteed residual value payment of \$7,155.

On July 1, 2021, Onslow County, NC entered into a 33-month lease as Lessee for the use of SO Vehicle - 23NBCP. An initial lease liability was recorded in the amount of \$32,158. As of June 30, 2022, the value of the lease liability is \$23,175. Onslow County is required to make monthly fixed payments of \$764. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,158 with accumulated amortization of \$11,694. The lease has a guaranteed residual value payment of \$7,332.

On July 1, 2021, Onslow County, NC entered into a 33-month lease as Lessee for the use of SO Vehicle - 23NBDD. An initial lease liability was recorded in the amount of \$32,599. As of June 30, 2022, the value of the lease liability is \$23,609. Onslow County is required to make monthly fixed payments of \$765. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,599 with accumulated amortization of \$11,854. The lease has a guaranteed residual value payment of \$7,753.

On July 1, 2021, Onslow County, NC entered into a 33-month lease as Lessee for the use of SO Vehicle - 23NBDZ. An initial lease liability was recorded in the amount of \$32,599. As of June 30, 2022, the value of the lease liability is \$23,609. Onslow County is required to make monthly fixed payments of \$765. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,599 with accumulated amortization of \$11,854. The lease has a guaranteed residual value payment of \$7,753.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 34-month lease as Lessee for the use of SO Vehicle - 23C8SB. An initial lease liability was recorded in the amount of \$32,820. As of June 30, 2022, the value of the lease liability is \$23,799. Onslow County is required to make monthly fixed payments of \$767. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,820 with accumulated amortization of \$11,583. The lease has a guaranteed residual value payment of \$7,128.

On July 1, 2021, Onslow County, NC entered into a 34-month lease as Lessee for the use of SO Vehicle - 23C8RW. An initial lease liability was recorded in the amount of \$32,434. As of June 30, 2022, the value of the lease liability is \$23,602. Onslow County is required to make monthly fixed payments of \$751. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$32,434 with accumulated amortization of \$11,447. The lease has a guaranteed residual value payment of \$7,280.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of SO Vehicle - 23C8TB. An initial lease liability was recorded in the amount of \$33,044. As of June 30, 2022, the value of the lease liability is \$23,442. Onslow County is required to make monthly fixed payments of \$816. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$33,044 with accumulated amortization of \$12,791. The lease has a guaranteed residual value payment of \$8,128.

On July 1, 2021, Onslow County, NC entered into a 31-month lease as Lessee for the use of SO Vehicle - 23C8TH. An initial lease liability was recorded in the amount of \$33,044. As of June 30, 2022, the value of the lease liability is \$23,442. Onslow County is required to make monthly fixed payments of \$816. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$33,044 with accumulated amortization of \$12,791. The lease has a guaranteed residual value payment of \$8,128.

On July 1, 2021, Onslow County, NC entered into a 46-month lease as Lessee for the use of Jacksonville Township - State Road No.1203. An initial lease liability was recorded in the amount of \$4,427. As of June 30, 2022, the value of the lease liability is \$2,960. Onslow County is required to make annual fixed payments of \$1,500. The lease has an interest rate of 0.8930%. The value of the right to use asset as of June 30, 2022, of \$4,427 with accumulated amortization of \$1,155. Onslow County has 3 extension option(s), each for 12 months.

On July 1, 2021, Onslow County, NC entered into a 38-month lease as Lessee for the use of EMS Vehicle - 23S8KK. An initial lease liability was recorded in the amount of \$22,651. As of June 30, 2022, the value of the lease liability is \$17,451. Onslow County is required to make monthly fixed payments of \$444. The lease has an interest rate of 0.7270%. The value of the right to use asset as of June 30, 2022, of \$22,651 with accumulated amortization of \$7,153. The lease has a guaranteed residual value payment of \$6,083.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of AFM Vehicle - 23S8Z4. An initial lease liability was recorded in the amount of \$13,145. As of June 30, 2022, the value of the lease liability is \$10,952. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,145 with accumulated amortization of \$2,629. The lease has a guaranteed residual value payment of \$1,993.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of EMS Vehicle - 23S8ZW. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S92T. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S93D. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S93Q. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S946. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S94G. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S953. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S95C. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S95P. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S963. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S96M. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On 07/27/2021, Onslow County, NC entered into a 6- month lease as Lessee for the use of Environmental Health Vehicle - 23S97D. An initial lease liability was recorded in the amount of \$24,240. As of June 30, 2022, the value of the lease liability is \$20,537. Onslow County is required to make monthly fixed payments of \$347. The lease has an interest rate of 0.9160%. The value of the right to use asset as of June 30, 2022, of \$24,735 with accumulated amortization of \$4,580. The lease has a guaranteed residual value payment of \$3,987.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S98B. An initial lease liability was recorded in the amount of \$13,068. As of June 30, 2022, the value of the lease liability is \$10,875. Onslow County is required to make monthly fixed payments of \$192. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$13,068 with accumulated amortization of \$2,614. The lease has a guaranteed residual value payment of \$1,912.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of AS Vehicle - 23S8Q4. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Vector Vehicle - 23S74C. An initial lease liability was recorded in the amount of \$16,655. As of June 30, 2022, the value of the lease liability is \$13,886. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,655 with accumulated amortization of \$3,331. The lease has a guaranteed residual value payment of \$2,571.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S8MR. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S8N6. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

## **ONslow COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S8NJ. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S8NS. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Planning Vehicle - 23S8NX. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S8P8. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S8PD. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Environmental Health Vehicle - 23S8PP. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

On July 1, 2021, Onslow County, NC entered into a 60-month lease as Lessee for the use of Parks Vehicle - 23S8PX. An initial lease liability was recorded in the amount of \$16,579. As of June 30, 2022, the value of the lease liability is \$13,808. Onslow County is required to make monthly fixed payments of \$243. The lease has an interest rate of 1.0590%. The value of the right to use asset as of June 30, 2022, of \$16,579 with accumulated amortization of \$3,316. The lease has a guaranteed residual value payment of \$2,490.

<b>Year Ending June 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 317,222	\$ 8,450	\$ 325,672
2024	417,715	5,505	423,220
2025	98,244	3,087	101,331
2026	148,848	1,906	150,754
2027	36,060	339	36,399
Total	<u>\$ 1,018,089</u>	<u>\$ 19,287</u>	<u>\$ 1,037,376</u>

<b>Year Ending June 30</b>	<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 2,938	\$ 62	\$ 3,000
2024	1,486	14	1,500
Total	<u>\$ 4,424</u>	<u>\$ 76</u>	<u>\$ 4,500</u>

### **Installment Purchases**

As authorized by state law (G.S. 160A-20 and 153A-158.1) the County has entered in installment purchase contracts for the purchase of capital equipment needs in the County. The installment purchases were issued pursuant deed of trust, which required that legal title remain with the County as long as the debt is outstanding. The lease term is the same as that of the installment purchase obligation. The capital assets associated with the installment purchase obligation are recorded in the capital assets of the County. The County's installment purchase obligations payable at June 30, 2022 are as follows:

Maintenance Building Coastal Carolina Community College and Demolition of the Old Jail Facility executed October 8, 2013 for a 12-year period at 1.56% with yearly payments of \$550,000 plus interest beginning October 8, 2014 through October 2026.

\$ 2,200,000

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Annual debt service requirements to maturity for the County's direct placement installment financing are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 550,000	\$ 44,403
2024	550,000	25,740
2025	550,000	17,160
2026	550,000	8,580
Thereafter	-	-
Total	<u>\$ 2,200,000</u>	<u>\$ 95,883</u>

### Certificates of Participation

The County's certificates of participation issued through the Onslow County Facilities Company at June 30, 2022 are comprised of the following:

#### Certificates of Participation:

Series 2008 Justice Complex COPS for Jail and Sheriff Administration Building.  
Total issue of \$57,000,000. Collateralized by the Justice Complex. A rate  
modification was issued October 20, 2020 for 1.58% with PNC. Payments are  
due in December and June with interest at 1.58% maturing June 2028.

\$ 6,660,000

Annual debt service requirements to maturity are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 1,110,000	\$ 233,100
2024	1,110,000	194,250
2025	1,110,000	155,400
2026	1,110,000	116,550
2027	1,110,000	77,700
2028	<u>1,110,000</u>	<u>38,850</u>
Total	<u>\$ 6,660,000</u>	<u>\$ 815,850</u>



# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Limited Obligation Indebtedness

The County's limited obligation bonds are serviced by the Capital Projects Fund and School Construction Fund through transfers to the General Fund. They are collateralized by the full faith credit and taxing power of the County. The limited obligation bonds were issued to provide funds for the acquisition and construction of a library and schools. These bonds, which are recorded in the Capital Projects Fund and School Construction Fund, are collateralized by full faith credit and taxing power of the County. Principal and interest payments are appropriated when due.

The County's limited obligation bonds payable at June 30, 2022 are comprised of the following individual issues:

#### Governmental Activities:

Series 2012A Limited Obligation Bonds for 800 MHZ, Sneads Ferry Library/Environmental Center and Government Center. Total issue of \$30,035,000. Payments are due in December and June with interest from 1.49% to 3.71% maturing June 2033. \$ 23,520,000

Series 2015 Advanced Refunding LOBS, total issue of \$30,500,000. Collateralized by Meadowview Elementary School. Payments are due in December and June with interest from 2.00% to 5.00% maturing October 2027. 15,865,000

Series 2015 Limited Obligation Bonds for Dixon Middle School, Consolidated Human Service Building & Vehicle Maintenance Building. Total issue of \$46,965,000 Payments are due in December and June with interest from 1.10% to 3.86%. 33,920,000

Series 2016 Limited Obligation Bonds for Richlands Elementary School, Courthouse, Consolidated Human Service Building Parking Lot & Justice Complex HVAC Replacement Total issue of \$42,865,000. Payments are due in December and June with interest from .91% to 2.95%. 34,700,000

Series 2019 Limited Obligation Bonds for New Souther Elementary School and Animal Control renovations and additions. Total issue of \$30,500,000. Payments are due in December and June with interest from 1.29% to 2.49%. 29,705,000

Series 2020 Limited Obligation Bonds for West Central Elementary School. Total issue of \$25,115,000. Payments are due in December and June with interest from 1.29% to 2.49%. 25,115,000

Total governmental limited obligation bonds payable \$ 162,825,000

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 13,030,000	\$ 6,864,019
2024	13,000,000	6,288,119
2025	13,360,000	5,740,069
2026	12,995,000	5,132,169
2027	12,205,000	4,530,669
2028-2032	52,520,000	15,159,806
2033-2037	36,590,000	4,985,513
2038-2041	9,125,000	484,525
Total	<u>\$ 162,825,000</u>	<u>\$ 49,184,889</u>

### General Obligation Indebtedness

All general obligation bonds serviced by the County's General Fund are collateralized by the full faith, credit, and taxing power of the County.

The County's general obligation bonds payable at June 30, 2022 are comprised of the following individual issues and serviced by the General Fund:

#### Governmental Activities:

\$33,325,000 School Refunding Bonds Series 2013 Payments are due  
December and June through 2026 with interest from 3.00% to 5.00% \$ 12,160,000

\$22,870,000 School Refunding Bond Series 2015 Payments are due  
October and April through 2024. No principal payments the first three  
years with interest from 3.00% to % 15,350,000  
Total \$ 27,510,000

# ONSLOW COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 5,630,000	\$ 1,160,150
2024	5,650,000	878,150
2025	5,645,000	614,575
2026	4,810,000	372,000
2027	3,925,000	153,625
2028	1,850,000	27,750
Total	<u>\$ 27,510,000</u>	<u>\$ 3,206,250</u>

At June 30, 2022, the County had no bonds authorized, but unissued, and a legal debt margin of \$1,018,213,003.

Debt related to Capital Activities. Of the total Governmental Activities debt listed \$119,931,442 relates to school board assets which the County does not hold title.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Long-Term Obligation Activity

A summary of changes in long-term debt follows:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Portion of Balance
<b>Governmental Activities:</b>					
Limited obligation bonds	\$ 172,955,000	\$ -	\$ (10,130,000)	\$ 162,825,000	\$ 13,030,000
Premium on LOBS debt	24,238,977	-	(1,667,996)	22,570,981	1,667,996
General obligation debt	33,135,000	-	(5,625,000)	27,510,000	5,630,000
Premium on GO debt	4,452,230	-	(823,617)	3,628,613	823,617
Direct placement installment purchase contracts	2,750,000	-	(550,000)	2,200,000	550,000
Certificates of Participation	7,770,000	-	(1,110,000)	6,660,000	1,110,000
Lease liabilities	-	1,318,695	(300,606)	1,018,089	317,222
Net OPEB liability	20,084,154	-	(606,861)	19,477,293	-
Compensated absences	3,734,730	7,633,681	(7,290,784)	4,077,627	1,100,959
Net pension liability (LEOSSA)	5,138,826	203,527	-	5,342,353	-
Net pension liability (LGERS)	27,129,564	-	(15,700,810)	11,428,754	-
Total governmental activities	<u>\$ 301,388,481</u>	<u>\$ 9,155,903</u>	<u>\$ (43,805,674)</u>	<u>\$ 266,738,710</u>	<u>\$ 24,229,794</u>
<b>Business-Type Activities:</b>					
<b>Solid Waste Fund:</b>					
Accrued landfill closure cost	\$ 16,312,970	\$ 693,554	\$ -	\$ 17,006,524	\$ -
Lease liabilities	-	14,879	(10,455)	4,424	2,938
Total OPEB liability	851,023	-	(22,202)	828,821	-
Compensated absences	93,353	101,024	(119,646)	74,731	20,177
Net pension liability (LGERS)	609,927	-	(327,100)	282,827	-
Total Solid Waste Fund	<u>17,867,273</u>	<u>809,457</u>	<u>(479,403)</u>	<u>18,197,327</u>	<u>23,115</u>
<b>Airport Fund:</b>					
Total OPEB liability	397,144	17,267	-	414,411	-
Compensated absences	133,485	185,390	(197,271)	121,604	32,833
Net pension liability (LGERS)	609,927	-	(327,100)	282,827	-
Total Airport Fund	<u>1,140,556</u>	<u>202,657</u>	<u>(524,371)</u>	<u>818,842</u>	<u>32,833</u>
Total business-type activities	<u>\$ 19,007,829</u>	<u>\$ 1,012,114</u>	<u>\$ (1,003,774)</u>	<u>\$ 19,016,169</u>	<u>\$ 55,948</u>

Compensated absences, pension liabilities, and other post-employment benefits, typically have been liquidated in the General Fund. Compensated absences are accounted for on an LIFO basis, assuming that employees are taking leave time as it is earned.

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Net Investment in Capital Assets

Net investment in capital assets at June 30, 2022 is computed as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net capital assets	\$ 138,023,621	\$ 71,391,266
Right to use assets	931,886	7,664
Gross debt	226,412,683	4,424
<b>Less:</b>		
Unspent debt proceeds*	(222,849)	-
School debt for assets to which the County does not hold title	(119,931,442)	-
Net investment in capital assets	<u>\$ 245,213,899</u>	<u>\$ 71,403,354</u>

\*Unspent debt proceeds of \$3,090,265 relate to debt for assets to which the County will not hold title. Therefore, it is not included in the net investment in capital assets calculation.

### Hospital Long-Term Debt

A summary of long-term debt at September 30, 2021 is as follows:

FHA insured Mortgage Bank Loan, including interest at 3.1% through March 2036 secured by a first lien on the Hospital's leasehold interest in the Hospital property owned by Onslow County	\$ 31,492,338
Other	<u>1,775,670</u>
Total	<u>\$ 33,268,008</u>

In March 2016, the Hospital obtained approval from the Department of Housing and Urban Development (HUD) to proceed with a transaction to defease the 2006 HUD Revenue Bond. Accordingly, in May 2016, the Hospital obtained a mortgage bank loan of approximately \$42,417,000. The interest rate is fixed at 3.1%. The net proceeds of this new financing arrangement were principally used to fund an escrow account in the amount of approximately \$45,733,000 for the advance refunding of approximately \$44,655,000 of outstanding borrowing related to the 2006 HUD Revenue Bond. The Hospital had made approximately \$4,290,000 of principal payments during 2016 prior to the defeasance. Accordingly, the 2006 HUD Revenue Bond was defeased. This reduced the Hospital's interest rate from approximately 5% to a fixed rate of 3.1%. The Hospital maintains the HUD insurance on the new mortgage loan. The mortgage loan is secured by a first lien on the Hospital's leasehold interest in the property and original buildings; the improvements thereon; and certain fixtures, equipment, and personal property of the Hospital. The Hospital is required to maintain specified financial qualitative covenants. The Hospital complied with these covenants as of and for the year ended September 30, 2020.

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

The Hospital's debt service requirements for outstanding long-term debt as of September 30, 2021 are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2022	\$ 2,566,051	\$ 990,836
2023	2,585,999	912,373
2024	2,666,667	831,705
2025	2,750,033	748,339
2026	2,835,914	662,458
2027-2029	19,863,344	2,141,642
<b>Total</b>	<b>\$ 33,268,008</b>	<b>\$ 6,287,353</b>

A summary of changes in debt during 2021 is as follows:

	<b>9/30/2020</b>	<b>Additions</b>	<b>Payments</b>	<b>9/30/2021</b>
FHA Insured Mortgage Loan	\$ 33,680,480	\$ -	\$ 2,188,142	\$ 31,492,338
Other	2,625,921	-	850,251	1,775,670
<b>Total</b>	<b>\$ 36,306,401</b>	<b>\$ -</b>	<b>\$ 3,038,393</b>	<b>\$ 33,268,008</b>

### **Component Unit Term Debt**

Onslow 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 letters of credit and are payable solely from payments received from the private businesses 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 bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2022 there were no outstanding bonds.

## ONSLOW COUNTY, NORTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

#### Construction Commitments

The County has active construction projects at June 30, 2022. These projects include airport upgrades recreational and tourism related facilities, economic development projects and general facility needs. At year-end, the County's commitments with contractors are as follows:

<b>Project</b>	<b>Budget</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Discovery Gardens	\$ 1,205,390	\$ 1,102,459	\$ 102,931
Sylvester House Preservation	100,000	16,600	83,400
Burton Park Bike Trail	448,784	343,083	105,701
Beach Access Repairs	709,000	519,688	189,312
Animal Shelter Expansion	4,255,000	4,130,915	124,085
Senior Services Building	7,500,000	27,503	7,472,497
CAD-RMS-JMS	2,387,233	2,022,567	364,666
Landfill Projects	1,172,000	857,287	314,713
Convenience Site Projects	275,000	191,157	83,843
Landfill Expansion Phase 5	325,000	319,044	5,956
Landfill Expansion ARPA	7,500,000	36,000	7,464,000
ATCT	5,793,200	5,635,288	157,912
Taxiway Runway Rehabilitation	5,888,171	4,974,499	913,672
Regional Skills Training Center	12,792,910	10,517,718	2,275,192
West Central Elementary School	30,275,683	29,361,049	914,634
New Southern Elementary School	32,459,154	31,486,380	972,774
Total	<u>\$ 113,086,525</u>	<u>\$ 91,541,238</u>	<u>\$ 21,545,287</u>

# ONslow COUNTY, NORTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2022 consist of the following:

	Transfers		Purpose
	From	To	
General Fund	\$ 7,781,157	\$ -	
Reserve Fund (consolidated in General Fund)	-	3,150,297	Annual contribution to Reserve Fund
Revaluation Fund (consolidated in General Fund)	-	116,250	Annual transfer to Revaluation Fund
Grant Project Fund	-	1,203	Grant local match
Capital Project Fund	-	4,242,118	Transfer for various projects
Airport Operations Fund	-	271,289	Transfer of tourism funding
Reserve Fund (consolidated in General Fund)	1,646,000	-	
General Fund	-	1,646,000	Transfer of School Lottery Funds for debt service
School Construction Fund	2,257,584	-	
General Fund	-	2,257,584	Transfer for school projects
Capital Project Fund	3,629,594	-	
General Fund	-	3,192,045	Transfer for various projects
Emergency Telephone System Fund		437,549	For eligible capital project
Grant Project Fund	2,689,469	-	
General Fund	-	2,415,011	ARPA funds for salaries and benefits - bonus and 2% increase
Solid Waste Fund	-	47,573	ARPA funds for salaries and benefits - bonus and 2% increase
Solid Waste Construction Project Fund	-	172,156	For construction projects
Airport Operations Fund	-	54,729	ARPA funds for salaries and benefits - bonus and 2% increase
Airport Operations Fund	518,780	-	
General Fund	-	518,780	Debt agreement
Airport Construction Fund	251,008	-	
Airport Operations Fund	-	251,008	PFC funds for debt and PFC audit
Total	<u>\$ 18,773,592</u>	<u>\$ 18,773,592</u>	

Balances due to/from other funds at June 30, 2022 consist of the following:

Due to the General Fund from the Solid Waste Fund	
for Health Savings Account amounts due.	<u>\$ 3,738</u>



# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **4. Joint Ventures**

The County, in conjunction with the State of North Carolina and the Onslow County Board of Education, participates in a joint venture to operate the Coastal Carolina Community College. Each of the three participants appoints four members of the thirteen-member board of trustees of the community college. The president of the community college's student government serves as an ex officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the community college and also 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 to provide financing for new and restructured facilities. The County has an ongoing financial responsibility for the community college because of the statutory responsibilities to provide funding for the community college's facilities. The County contributed \$4,441,555 and \$2,567,000 to the community college for operating and capital purposes, respectively, during the fiscal year ended June 30, 2022. 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, 2021. Complete financial statements for the community college may be obtained from the community college's administrative offices at 444 Western Boulevard, Jacksonville, NC 28546.

The County in conjunction with the City of Jacksonville and the Town of Richlands, Swansboro, Holly Ridge, and North Topsail Beach, participates in a joint venture to operate the Onslow County Water and Sewer Authority. The County and the City each appoint two members of the nine-member board with each town appointing one member each. 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, 2022. Complete financial statements for the Authority may be obtained from the Authority's administrative offices at 232 Georgetown Road, Jacksonville, NC, 28546.

### **5. Jointly Governed Organization**

The County, in conjunction with eight other counties and sixty-two municipalities, established the Eastern Carolina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$17,257 to the Council during the fiscal year ended June 30, 2022.

### **6. Summary Disclosure of Significant Commitments and Contingencies**

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

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

# **ONslow COUNTY, NORTH CAROLINA**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022**

### **7. Change in Accounting Principle**

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

### **8. Reimbursements for Pandemic-Related Expenditures**

In FY 2020/21, the American Rescue Plan Act (ARPA) established the coronavirus state and local fiscal recovery funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. Onslow County was awarded \$38,447,136 in American Rescue Plan funding. The County has received the full award. The County elected to use \$2,517,313 for premium pay and other salaries and benefits, \$177,144 related to operational expenditures, and \$1,195,557 for capital outlay purchases in the fiscal year 2022. The remaining funds will be transferred to the appropriate funds once the intended use of the funds is determined.

### **9. Subsequent Events**

On September 7, 2022, the Board of Commissioners accepted Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grant number 47 in the amount of \$8,420,073 that will be used for a portion of the next Runway 5/23 phase of the rehabilitation project. This phase will consist of milling and overlaying the entire runway, associated pavements and rehabilitating select lighting.

On November 21, 2022, the Board of Commissioners accepted a North Carolina Airport Improvement Program (NC AIP) grant in the amount of \$2,462,397. This funding was included in this year's state budget and invests \$100M to North Carolina's 10 Commercial Service Airports to be used for capital improvements and debt service. These reoccurring funds are allocated based on an airports number of departing passengers and its economic contribution. Albert J. Ellis Airport's economic output was over \$707M based on the current study completed by North Carolina State University's Institute for Transportation Research and Education (ITRE).

## **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

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

- Law Enforcement Officer’s Special Allowance – Schedule of Changes in Total Pension Liability
- Law Enforcement Officer’s Special Allowance – Schedule of Total Liability as a Percentage of Covered-Employee Payroll
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Local Governmental Employees’ Retirement System – Proportionate Share of Net Pension Liability (Asset)
- Local Governmental Employees’ Retirement System – Contributions
- Register of Deeds’ Supplemental Pension Fund – Proportionate Share of Net Pension Liability (Asset)
- Register of Deeds’ Supplemental Pension Fund - Contributions

**ONSLOW COUNTY, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST SIX FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 5,138,826	\$ 3,388,299	\$ 3,570,068
Service cost	324,675	201,393	173,561
Interest on the total pension liability	96,701	105,772	124,499
Differences between expected and actual experience	183,825	378,086	(279,886)
Changes of assumptions or other inputs	(144,871)	1,352,800	99,597
Benefit payments	(256,803)	(287,524)	(299,540)
Ending balance of the total pension liability	<u>\$ 5,342,353</u>	<u>\$ 5,138,826</u>	<u>\$ 3,388,299</u>

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

Pension schedules in the required supplementary information are intended to show information for ten years. and that additional year's information will be displayed as it becomes available.

**ONSLOW COUNTY, NORTH CAROLINA**

**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**  
**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST SIX FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 3,509,954	\$ 3,071,164	\$ 3,059,849
Service cost	184,320	156,081	163,718
Interest on the total pension liability	106,421	113,817	105,825
Differences between expected and actual experience	182,393	201,476	-
Changes of assumptions or other inputs	(128,623)	212,511	(67,108)
Benefit payments	(284,397)	(245,095)	(191,120)
Ending balance of the total pension liability	<u>\$ 3,570,068</u>	<u>\$ 3,509,954</u>	<u>\$ 3,071,164</u>

**ONSLOW COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL LIABILITY AS A PERCENTAGE  
OF COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total pension liability	\$ 5,342,353	\$ 5,138,826	\$ 3,388,299
Covered-employee payroll*	8,724,800	8,037,130	7,504,605
Total pension liability as a percentage of covered-employee payroll	61.23%	63.94%	45.15%

**Notes to the Schedules:**

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

Pension schedules in the required supplementary information are intended to show information for ten years. and that additional year's information will be displayed as it becomes available.

\* Valuation payroll

**ONSLOW COUNTY, NORTH CAROLINA**

**SCHEDULE OF TOTAL LIABILITY AS A PERCENTAGE  
OF COVERED-EMPLOYEE PAYROLL  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST SIX FISCAL YEARS**

<b>Law Enforcement Officers' Special Separation Allowance</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 3,570,068	\$ 3,509,954	\$ 3,071,164
Covered-employee payroll*	7,397,093	6,975,465	6,623,826
Total pension liability as a percentage of covered-employee payroll	48.26%	50.32%	46.37%

# **ONslow COUNTY, NORTH CAROLINA**

## **SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS REQUIRED SUPPLEMENTARY INFORMATION LAST FIVE FISCAL YEARS**

	<b>Total OPEB Liability</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 21,332,321	\$ 20,124,773	\$ 24,194,368	\$ 24,763,107	\$ 25,704,231
Service cost	584,491	443,943	643,834	659,925	703,391
Interest on TOL and cash flows	467,887	691,590	913,999	861,254	745,709
Differences between expected and actual experience	(1,681,217)	111,970	(4,700,472)	(405,245)	438,701
Changes of assumptions or other inputs	1,516,121	1,592,071	482,979	(533,433)	(955,325)
Benefit payments	(1,499,078)	(1,632,026)	(1,409,935)	(1,151,240)	(1,873,600)
Ending balance of the total OPEB liability	<u>\$ 20,720,525</u>	<u>\$ 21,332,321</u>	<u>\$ 20,124,773</u>	<u>\$ 24,194,368</u>	<u>\$ 24,763,107</u>
Covered-employee payroll	\$ 10,399,813	\$ 14,195,330	\$ 14,195,330	\$ 9,348,638	\$ 9,348,638
Total OPEB liability as a percentage of covered-employee payroll	199.24%	150.28%	141.77%	258.80%	264.88%

### **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:

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

OPEB schedules in the required supplementary information are intended to show information for ten years and that additional year's information will be displayed as it becomes available.

Onslow County has no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.101 to pay related benefits for the OPEB plan.



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**ONSLOW COUNTY, NORTH CAROLINA**
**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST NINE FISCAL YEARS\***

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
County's proportion of the net pension liability (asset) (%)	0.78211%	0.79300%	0.84900%	0.86000%	0.84200%
County's proportion of the net pension liability (asset) (\$)	\$ 11,994,408	\$ 28,349,418	\$ 23,175,970	\$ 20,401,904	\$ 12,864,344
County's covered payroll	\$ 53,600,379	\$ 53,760,107	\$ 45,490,652	\$ 50,837,090	\$ 49,949,756
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.38%	52.73%	50.95%	40.13%	25.75%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

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

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

Pension schedules are intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**ONSLOW COUNTY, NORTH CAROLINA**

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAST NINE FISCAL YEARS\***

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	0.77900%	0.77800%	0.72200%	0.74700%
County's proportion of the net pension liability (asset) (\$)	\$ 16,522,378	\$ 3,491,809	\$ (4,255,843)	\$ 9,000,602
County's covered payroll	\$ 42,225,701	\$ 38,191,416	\$ 37,331,335	\$373,313,358
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.13%	9.14%	-11.40%	2.41%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

**ONSLOW COUNTY, NORTH CAROLINA****ONSLOW COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS**

	<b>Local Governmental Employees' Retirement System</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 6,600,166	\$ 5,502,148	\$ 4,880,188	\$ 4,166,706	\$ 3,968,672
Contributions in relation to the contractually required contribution	<u>6,600,166</u>	<u>5,502,148</u>	<u>4,880,188</u>	<u>4,166,706</u>	<u>3,968,672</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 57,509,544	\$ 53,600,379	\$ 53,760,107	\$ 45,490,652	\$ 50,837,090
Contributions as a percentage of covered payroll	11.48%	10.27%	9.08%	9.16%	7.81%

Pension schedules are intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**ONSLOW COUNTY, NORTH CAROLINA****ONSLOW COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS**

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,671,074	\$ 3,143,116	\$ 2,700,127	\$ 2,639,887
Contributions in relation to the contractually required contribution	<u>3,671,074</u>	<u>3,143,116</u>	<u>2,700,127</u>	<u>2,639,887</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 49,949,756	\$ 42,225,701	\$ 38,191,416	\$ 37,331,335
Contributions as a percentage of covered payroll	7.35%	7.44%	7.07%	7.07%

**ONslow COUNTY, NORTH CAROLINA**

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>					
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
County's proportion of the net pension liability (asset) (%)	2.18808%	2.26400%	2.03500%	2.25800%	2.21000%
County's proportion of the net pension liability (asset) (\$)	\$ (420,396)	\$ (518,944)	\$ (401,765)	\$ (373,928)	\$ (377,192)
County's covered payroll	\$ 307,956	\$ 294,435	\$ 288,792	\$ 284,081	\$ 263,098
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-136.51%	-176.25%	-139.12%	-131.63%	-143.37%
Plan fiduciary net position as a percentage of the total pension liability **	156.53%	173.62%	164.11%	153.31%	153.77%

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

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

Pension schedules are intended to show information for ten years. Additional year's information will be displayed as it becomes available.

**ONslow COUNTY, NORTH CAROLINA**

**COUNTY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS\***

<b>Register of Deeds' Supplemental Pension Fund</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
County's proportion of the net pension liability (asset) (%)	2.28300%	2.28300%	2.28300%	2.45400%
County's proportion of the net pension liability (asset) (\$)	\$ (415,405)	\$ (529,157)	\$ (516,372)	\$ (524,266)
County's covered payroll	\$ 263,098	\$ 263,098	\$ 269,519	\$ 269,519
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-157.89%	-201.13%	-191.59%	-194.52%
Plan fiduciary net position as a percentage of the total pension liability **	160.17%	197.29%	193.88%	190.50%

**ONslow COUNTY, NORTH CAROLINA**

**ONslow COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS**

	<b>Register of Deeds' Supplemental Pension Fund</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually required contribution	\$ 26,843	\$ 26,260	\$ 21,681	\$ 19,343	\$ 19,320
Contributions in relation to the contractually required contribution	<u>26,843</u>	<u>26,260</u>	<u>21,681</u>	<u>19,343</u>	<u>19,320</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 74,996	\$ 307,956	\$ 294,435	\$ 288,792	\$ 284,081
Contributions as a percentage of covered payroll	35.79%	8.53%	7.36%	6.70%	6.80%

Pension schedules are intended to show information for ten years. Additional year's information will be displayed as it becomes available.



**ONslow COUNTY, NORTH CAROLINA****ONslow COUNTY'S CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
LAST NINE FISCAL YEARS**

	<b>Register of Deeds' Supplemental Pension Fund</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 19,207	\$ 18,272	\$ 18,601	\$ 19,055
Contributions in relation to the contractually required contribution	<u>19,207</u>	<u>18,272</u>	<u>18,601</u>	<u>19,055</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 263,098	\$ 263,098	\$ 263,098	\$ 269,519
Contributions as a percentage of covered payroll	7.30%	6.94%	7.07%	7.07%

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## **APPENDIX C**

### **SUMMARY OF PRINCIPAL DOCUMENTS**

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## **APPENDIX C**

### **SUMMARY OF PRINCIPAL DOCUMENTS**

The following is a brief summary of the provisions of the Installment Financing Agreement, the Trust Agreement 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.

### **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 Installment Financing Agreement, the Trust Agreement, or the Deed of Trust.

“Additional Bonds” means any Bonds issued pursuant to the Trust Agreement (i) to pay the cost of any Improvements and applicable Delivery Costs or (ii) to refund all or any portion of the 2023 Bonds, any Additional Bonds or any other financing under Section 160A-20 of the North Carolina General Statutes and paying applicable Delivery Costs.

“Additional Payments” means payments in addition to Installment Payments which the County is required to pay, or cause to be paid to such persons as are entitled thereto, to the extent permitted by law, in such amounts as shall be required for the payment of all administrative costs relating to the Project Facilities or the Bonds, including, without limitation, (i) all expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement and by the County under the Installment Financing Agreement, (ii) taxes of any sort whatsoever payable by the Corporation as a result of its undertaking of the transactions contemplated in the Installment Financing Agreement or in the Trust Agreement, (iii) any payments of prepayment premiums in the event of prepayment of the Installment Payments as described under “THE 2023 BONDS—Prepayment Provisions” in this Official Statement of which this Appendix is a part, (iv) fees of auditors, accountants, attorneys or engineers for services rendered relating thereto, and (v) all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Bonds or of the Trust Agreement or to indemnify Persons specified in the Installment Financing Agreement and their officers, employees and directors.

“Authorized Denomination” means \$5,000 or any integral multiple thereof.

“Board of Education” means The Onslow County Board of Education.

“Bond Payment Dates” means June 1 and December 1 of each year, commencing December 1, 2023 with respect to the interest payments evidenced by the 2023 Bonds, and December 1 of each year, commencing December 1, 2024 with respect to the principal payments evidenced by the 2023 Bonds, and, with respect to any Additional Bonds, the dates stated in the resolution of the Corporation authorizing their delivery or in a supplement to the Trust Agreement with respect thereto.

“Bond Prepayment Date” means any date on which Bonds are prepaid, in whole or in part, pursuant to the Trust Agreement.

“Bonds” means the 2023 Bonds and all Additional Bonds.

“Business Day” means any day of the year on which banks in New York, New York or in the city in which the Principal Office of the Trustee is located are not authorized or obligated by law or executive order to remain closed and on which the New York Stock Exchange is not closed.

“Closing Date” means the respective day when the 2023 Bonds or any Additional Bonds, duly authenticated by the Trustee, are delivered to the purchasers thereof.

“Code” means the Internal Revenue Code of 1986, as amended, where all citations shall be deemed to refer to corresponding sections in such Code, and all regulations promulgated, from time to time, thereunder.

“Contractors” means, along with Vendors, the persons with whom contracts are entered for the construction and other accomplishment of the Project.

“County Representative” means the County Manager or Finance Director of the County or any person authorized by the County Manager to act on behalf of the County with respect to any matter under or with respect to the Installment Financing Agreement or the Trust Agreement.

“Credit Facility” means a line of credit, letter of credit, standby bond purchase agreement, financial guaranty insurance policy or similar liquidity or credit facility permitted by the General Statutes of North Carolina and established or obtained in connection with the execution and delivery of any Additional Bonds.

“Credit Provider” means a Person providing a Credit Facility, as designated in any resolution of the Board of Directors of the Corporation authorizing the execution and delivery of Additional Bonds. If and to the extent permitted by the General Statutes of North Carolina, the County may be a Credit Provider with the approval of the Local Government Commission of North Carolina.

“Deed of Trust” means the Deed of Trust and Security Agreement, dated as of June 1, 2023, between the County and the Deed of Trust Trustee.

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

“Defeasance Obligations” means (i) Government Obligations, (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of

custodian, and (v) full faith and credit obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P and Moody's.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P and by Moody's, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) Government Obligations or (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Delivery Costs" means all items of expense directly or indirectly payable by or reimbursable to the County or the Corporation relating to refinancing the Prior Bonds, the financing of a portion of the cost of the 2023 Project from the proceeds of the 2023 Bonds or the financing of the cost of any Improvements or refunding of any Bonds or any other financing under Section 160A-20 of the North Carolina General Statutes, as amended, from the proceeds of any Additional Bonds, as may be applicable, including, but not limited to, costs provided in the related Bond purchase contracts with the purchasers thereof, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee and any escrow agent, the premium for any Credit Facility, legal fees and charges, financing and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the related Bonds and charges and fees in connection with the foregoing.

"Event of Default" means an event of default under the Installment Financing Agreement or the Trust Agreement, as the case may be.

"Event of Nonappropriation" means (i) the County's failure, for any reason, to budget and appropriate, specifically with respect to the Installment Financing Agreement, moneys sufficient to pay all Installment Payments and reasonably estimated Additional Payments coming due in any Fiscal Year or (ii) the County's deletion from its duly adopted budget of any appropriation for the purposes specified in clause (i) hereof.

"Fiscal Year" means the fiscal year of the County beginning on July 1 of each year and ending on June 30 of the following year, or such other period of 12 consecutive months as may be adopted by the County.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Treasury) or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America.

"Improvements" means any additions, modifications or improvements to the Project Facilities or to other real and personal property or any acquisition or construction of real or personal property other than the Project Facilities which the County determines to make, or cause

to be made, or acquire from time to time, in accordance with the terms of the Installment Financing Agreement.

“Installment Financing Agreement” means the Installment Financing Agreement, dated as of June 1, 2023, between the Corporation and the County.

“Installment Payment Dates” means the dates on which the Installment Payments are payable by the County to the Trustee, as such dates are set forth in the Installment Financing Agreement, and the dates specified for the payment of Installment Payments by the County in connection with the delivery of Additional Bonds pursuant to the Trust Agreement.

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

“Installment Payments” means the payments required to be paid by the County to the Corporation pursuant to the Installment Financing Agreement which shall be sufficient as to amounts and times to pay when due the principal and interest represented by the Bonds on each Bond Payment Date.

“Lease” means the Lease, dated as of June 1, 2023, between the County, as lessor and the Board of Education, as lessee.

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

“Mortgaged Property” means the land and the real estate improvements thereon and appurtenances thereto, as more particularly described in the Deed of Trust, and any real property added to the Mortgaged Property in connection with the delivery of Additional Bonds.

“Net Proceeds” means any proceeds of casualty insurance and any other available funds from any alternative risk management program required or permitted by the Installment Financing Agreement, any proceeds of title insurance required by the Installment Financing Agreement and any proceeds of any taking by eminent domain or condemnation paid with respect to the Mortgaged Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

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

“Original Purchaser” means, collectively, PNC Capital Markets LLC and Robert W. Baird and Company, Incorporated, or any successors or assigns thereof, as original purchaser of the 2023 Bonds.



“Outstanding,” when used as of any particular time with respect to Bonds, means (subject to certain provisions of the Trust Agreement regarding votes of Bond Owners) all Bonds theretofore authenticated and delivered by the Trustee under the Trust Agreement except--

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds for the payment or prepayment of which moneys or Defeasance Obligations, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Bonds), provided that, if such Bonds are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice, and in the event of an advance refunding, the County shall cause to be delivered to the Trustee a verification report of a firm of experts in the field as to the sufficiency of any escrow fund created in connection therewith; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Trust Agreement.

The term “Outstanding” specifically includes any Bond with respect to which the principal or interest has been paid by a Credit Provider.

“Owner” or “Bond Owner” or “Owner of a Bond,” or any similar term, when used with respect to a Bond, means the person in whose name such Bond is registered on the registration books maintained by the Trustee.

“Permitted Encumbrances” means, as of any particular time:

(i) the Deed of Trust; (ii) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the provisions of the Installment Financing Agreement, permit to remain unpaid; (iii) the Installment Financing Agreement, as it may be amended from time to time; (iv) easements, rights of way, mineral rights, drilling rights and other similar rights, reservations, covenants, conditions or restrictions which the County certifies in writing will not materially impair the use of the Mortgaged Property for its intended purposes by the County; (v) the Trust Agreement; (vi) the Lease and any lease by the County and any sublease by the Board of Education in conformity with the provisions of the Installment Financing Agreement and (vii) any other exceptions or other encumbrances described in the policy evidencing the title insurance required pursuant to the Installment Financing Agreement.

“Permitted Investments” means any obligations as are now and may at any time hereafter be authorized by applicable law, including but not limited to § 159-30 of the North Carolina General Statutes, as amended.

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

“Prepayment” means any payment by the County pursuant to the Installment Financing Agreement as a prepayment of the Installment Payments.

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

“Principal Office” means, initially, the corporate trust office of the Trustee in Raleigh, North Carolina and, thereafter, the corporate trust office designated by the Trustee to the Corporation and the County in writing.

“Prior Bonds” means the Onslow County Public Facilities Company Limited Obligation Bonds (Onslow County, North Carolina) Series 2012A.

“Project Costs” means, with respect to any item or portion of the 2023 Project, the contract price paid or to be paid therefor in connection with the construction or other accomplishment thereof, in accordance with a purchase order or contract therefor. Project Costs include the administrative, engineering, legal, financial and other costs incurred in connection with the construction and other accomplishment of the 2023 Project and all applicable charges resulting therefrom. Project Costs do not include sales tax.

“Project Facilities” means the facilities and improvements resulting from the Project.

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

“Release” means, with the consent of the Beneficiary and at any time so long as there is no Event of Default, any whole or partial release of the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust or incurrence of any encumbrance upon the Mortgaged Property.

“Requisition” means the form of written requisition substantially in the form attached the Trust Agreement.

“S&P” means S&P Global Ratings, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

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

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

“State” means the State of North Carolina.

“Term” means the time during which the Installment Financing Agreement is in effect as set forth in the Installment Financing Agreement.

“Trust Agreement” means the Trust Agreement, dated as of June 1, 2023, between the Corporation and the Trustee.

“Vendors” means, along with the Contractors, the persons with whom contracts are entered for the construction and other accomplishment of the Project.

## **THE INSTALLMENT FINANCING AGREEMENT**

***Construction and Other Accomplishment of Project.*** The County will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and other accomplishment of the Project. (Section 3.2).

***Title to Mortgaged Property.*** Title to the Mortgaged Property will be held by the County from and after the date of the execution and delivery of the Installment Financing Agreement subject to Permitted Encumbrances and except for any part of the Mortgaged Property purchased by the Board of Education from the County pursuant to the Lease and, upon the payment of all Installment Payments by the County, will be owned free and clear of any lien or security interest of the Corporation, the Trustee or Deed of Trust Trustee therein. The ownership interest of the County may be terminated by action taken by the Deed of Trust Trustee to enforce the Deed of Trust. Prior to or simultaneously with the execution and delivery of the Installment Financing Agreement, the County will either record the Deed of Trust or deliver to the Deed of Trust Trustee, for the benefit of the Corporation, the Deed of Trust (see “THE DEED OF TRUST” herein) in form suitable for recordation. Upon payment in full of all of the County’s obligations under the Installment Financing Agreement, including all Installment Payments and all other payments due thereunder, and when the Outstanding Bonds shall be paid and discharged in accordance with the Trust Agreement, the Deed of Trust Trustee, at the County’s expense and request, will cancel of record the Deed of Trust. (Section 7.2)

***Term of Installment Financing Agreement.*** The term of the Installment Financing Agreement begins on the Closing Date and terminates upon the earlier of the following events: (a) such date as all Installment Payments and Additional Payments required under the Installment Financing Agreement will be paid and (b) such date as all proceeds derived from (i) a foreclosure sale of the last remaining parcel of real property constituting a part of the Mortgaged Property or the exercise of any other right or remedy under the Deed of Trust and (ii) the exercise by the Trustee of its remedies as the assignee of a secured party under the Uniform Commercial Code have been applied by the Trustee to the payment, in whole or in part, of the Bonds. (Section 4.2)

***Installment Payments.*** The County Manager of the County (or any other officer of the County at any time charged with the responsibility for formulating budget proposals) will include in his budget proposals for review and consideration by the Board of Commissioners for the County, in any Fiscal Year in which the Installment Financing Agreement is in effect, items for all Installment Payments and the reasonably estimated Additional Payments required for such Fiscal Year under the Installment Financing Agreement. Any budget item referred to in this paragraph

will be deleted from the applicable budget by such Board of Commissioners only by the adoption of a resolution to such effect containing a statement of its reasons therefor, which resolution will be adopted by roll-call vote and will be spread upon the minutes of such Board of Commissioners. The County will, upon request, furnish the Corporation, the Trustee and the Original Purchaser confirmation that an Event of Nonappropriation has not occurred, together with copies of its annual budget promptly after its adoption and copies of any amended budget affecting appropriations for Installment Payments and Additional Payments. Moneys appropriated by such Board of Commissioners for the County to make Installment Payments and Additional Payments in any Fiscal Year will be used for no other purpose except to the extent appropriated amounts exceed the amounts actually required in that Fiscal Year for Installment Payments and Additional Payments. If the amount appropriated in that Fiscal Year for Installment Payments and Additional Payments is insufficient, then the County Manager of the County (or any other officer at any time charged with the responsibility for formulating budget proposals) will promptly seek an additional appropriation from the Board of Commissioners for the County to make Installment Payments and Additional Payments.

Subject to the provisions of the Installment Financing Agreement regarding termination of the Installment Financing Agreement and prepayment of Installment Payments, the County agrees to pay to the Trustee for the account of the Corporation the Installment Payments (denominated into components of principal and interest, with principal components being payable annually and the interest components being payable semiannually) on the Installment Payment Dates. The Installment Payments will be sufficient as to amounts and times to pay when due the principal and interest represented by the 2023 Bonds and any Additional Bonds on each Bond Payment Date. (Section 4.3)

***Additional Bonds.*** If Additional Bonds are delivered in accordance with the Trust Agreement, then the Installment Financing Agreement is to be supplemented to provide for the increased Installment Payments and Additional Payments required by the Additional Bonds. (Section 4.3)

***Assignment of Installment Payments or Prepayments.*** Pursuant to the Trust Agreement, the Corporation has assigned its rights to receive and collect Installment Payments and Prepayments to the Trustee in trust for the benefit of the Owners of the Bonds. (Section 4.7)

***Limited Obligation of County and Corporation.*** NO PROVISION OF THE INSTALLMENT FINANCING AGREEMENT SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO PROVISION OF THE INSTALLMENT FINANCING AGREEMENT SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS OR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE INSTALLMENT FINANCING AGREEMENT 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 INSTALLMENT FINANCING AGREEMENT IS IN EFFECT; PROVIDED, HOWEVER, THAT ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS, WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT

COMING DUE UNDER THE INSTALLMENT FINANCING AGREEMENT, WILL IN NO WAY OBVIATE 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 INSTALLMENT FINANCING AGREEMENT 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 INSTALLMENT FINANCING AGREEMENT.

The Corporation's obligations under the Installment Financing Agreement and with respect to the Bonds will be payable solely from amounts received from the County under the Installment Financing Agreement. (Section 4.4)

***Maintenance, Utilities, Taxes and Assessments Relating to Mortgaged Property.*** The County will use, or cause to be used, the Mortgaged Property in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole expense, will service, repair and maintain, or cause to be serviced, repaired and maintained, the Mortgaged Property so as to keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted, and will replace, or cause to be replaced, any part of the Mortgaged Property as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged.

The County will also pay, or cause to be paid, as Additional Payments, all taxes and assessments, including but not limited to, utility charges, of any type or nature levied, assessed or charged against any portion of the Mortgaged Property; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County is obligated to pay only such installments as are required to be paid as and when the same become due. (Section 7.5)

***Insurance.*** Except as described below and subject to certain exceptions set forth in the Installment Financing Contract, the County must maintain or cause to be maintained the following insurance:

(1) Liability Insurance. Such insurance must provide coverage in the minimum liability limit of \$1,000,000 for bodily injury liability and property damage liability, combined single limit, and shall include personal injury coverage (libel, slander and false arrest), except that such insurance may be subject to deductible clauses not to exceed \$100,000 for any one loss. The net proceeds of such liability insurance or other available funds from any applicable alternative risk management program pursuant to the Installment Financing Agreement shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds or funds shall have been made available. (Section 5.1)

(2) Workers' Compensation. The County must also maintain, or cause to be maintained, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees and those of the Board of Education against liability for compensation under the laws now in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof. (Section 5.2)

(3) Casualty Insurance. Such insurance must provide coverage in an amount not less than the lesser of (i) the full replacement cost of the Mortgaged Property or (ii) the outstanding principal components of the Installment Payments, except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance must cover loss or damage to the Mortgaged Property by fire and lightening and include extended coverage and vandalism and malicious mischief insurance and the Net Proceeds of such insurance or other available funds from any applicable alternative risk management program pursuant to the Installment Financing Agreement shall be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Installment Financing Agreement. (Section 5.3)

(4) Title Insurance. The County must, throughout the term of the Installment Financing Agreement, maintain, or cause there to be maintained, title insurance on the Mortgaged Property, issued by a company of recognized standing duly authorized to issue the same, payable to the Deed of Trust Trustee for the benefit of the Corporation insuring fee simple title of the County to the Mortgaged Property and the first priority lien of the Deed of Trust. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Installment Financing Agreement. (Section 5.4)

(5) Performance and Labor and Materials Payment Bonds. The County shall cause each Contractor to provide performance and labor and materials payment bonds as required by law. The net proceeds received by the County from any bond or bonds required as described in this paragraph shall be paid to the Trustee for deposit to the credit of the Project Fund. (Section 5.5)

General Insurance Provisions. All policies of insurance required to be procured and maintained pursuant to the Installment Financing Agreement shall be provided by a commercial insurer rated "A" by A.M. Best & Company or in the two highest rating categories of S&P and Moody's and shall be in form to comply with the provisions of the Installment Financing Agreement. Notwithstanding anything described in subparagraphs (1), (2) or (3) above or this paragraph to the contrary, the County or the Board of Education, as may be applicable, shall have the right, without giving rise to an event of default under the Installment Financing Agreement solely on such account, to adopt alternative risk management programs including, without limitation, to self-insure in whole or in part, individually or in connection with other units of local government or other institutions, to participate in programs of captive insurance companies, to participate with other units of local government or other institutions in mutual or other cooperative insurance or other risk management programs, to participate in State or federal insurance programs, to take advantage of State or federal laws now or hereafter in existence limiting liability, or to establish or participate in other alternative risk management programs. The County shall not self-insure with respect to the requirement for title insurance. (Section 5.6)

***Leasing by County.*** The County is entering into the Lease with the Board of Education. In addition, the County may lease any portion of the Mortgaged Property that is not subject to the Lease, and the Board of Education, with the written consent of the County, may sublease any portion of the Mortgaged Property leased to it pursuant to the Lease, subject, in either case, to the provisions of the Installment Financing Agreement. (Section 8.1)

***Restrictions on Disposition of Mortgaged Property.*** Except for (a) the Corporation's assignment of certain of its rights under the Installment Financing Agreement to the Trustee

pursuant to the Trust Agreement, (b) the County's granting of security interests and mortgaging of the Mortgaged Property pursuant to the Deed of Trust, (c) any exercise by the County or the Board of Education of its right to remove personal property pursuant to the Installment Financing Agreement, (d) any exercise by the Trustee or the Owners of the remedies afforded pursuant to the Installment Financing Agreement following an event of default thereunder, (e) any lease of the Mortgaged Property by the County or sublease of the Mortgaged Property by the Board of Education pursuant to the Installment Financing Agreement or (f) any release of the Mortgaged Property pursuant to the Deed of Trust, the County, the Corporation and the Trustee will not assign, mortgage, lease, sublease, convey, transfer or otherwise dispose of the Mortgaged Property or any portion thereof during the Term of the Installment Financing Agreement. (Section 8.2)

***Tax Covenant.*** The County covenants that it will not take any action, or fail to take any action, if any such action for failure to take action would adversely affect the excludability from gross income of the portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds under Section 103 of the Code. (Section 2.1)

***Amendments and Modifications.*** The Installment Financing Agreement may be amended or modified by the County and the Corporation in writing in accordance with the Trust Agreement. See "THE TRUST AGREEMENT -- *Amendments*" herein. (Section 8.3)

***Events of Default.*** The following constitute "events of default" under the Installment Financing Agreement:

- (a) Failure by the County to pay, when due, any Installment Payment.
- (b) The occurrence of an Event of Nonappropriation.
- (c) Failure by the County to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed in the Installment Financing Agreement or in the Deed of Trust or otherwise with respect thereto, other than the default described in subparagraph (a) above, 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 or the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee or such Owners, as the case may be, shall not unreasonably withhold its or their consent, as the case may be, to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected.
- (d) Filing by the County of a case in bankruptcy, or the subjection of any right or interest of the County under the Installment Financing Agreement to any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

(e) Failure by the County to pay the principal of or the interest or any redemption premium on any general obligation bonds of the County as required by such bonds or the documents providing for the issuance thereof. (Section 9.1)

***Remedies on Default.*** Upon the happening and continuance of any event of default listed above, the Trustee may, or at the request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding will, without any further demand or notice, exercise any one or more of the following remedies:

(a) Declare the principal component of all unpaid Installment Payments and the interest component of the Installment Payments accrued to the date of such declaration to be immediately due and payable without notice to or demand on the County.

(b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Installment Financing Agreement or to recover for the breach thereof.

(c) Direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust or to exercise any other right or remedy available under the Deed of Trust.

NO DEFICIENCY JUDGMENT REQUIRING THE PAYMENT OF MONEY MAY BE ENTERED AGAINST THE COUNTY IN FAVOR OF THE TRUSTEE OR ANY OTHER PERSON IN VIOLATION OF SECTION 160A-20 OF THE GENERAL STATUTES OF NORTH CAROLINA, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE INSTALLMENT FINANCING AGREEMENT WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEYS TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE INSTALLMENT FINANCING AGREEMENT.

It is the express intent of the parties that the obligations of the Corporation and the County under the Installment Financing Agreement and with respect to the Bonds are limited as described under the Installment Financing Agreement and that the remedies under the Installment Financing Agreement are limited as provided in the Installment Financing Agreement. (Section 9.2)

## **THE TRUST AGREEMENT**

***Additional Bonds.*** Additional Bonds may be executed and delivered under the Trust Agreement for the purposes of providing funds, with any other available funds, for (i) paying the cost of any Improvements and applicable Delivery Costs or (ii) refunding all or any portion of the 2023 Bonds, any Additional Bonds or any other financing under Section 160A-20 of the North Carolina General Statutes and paying applicable Delivery Costs. A supplement to the Trust Agreement shall fix the provisions with respect thereto. Prior to the delivery of any Additional Bonds, there must be filed with the Trustee the following:

(1) a copy of a resolution, certified by the Secretary or any Assistant Secretary of the Corporation to be a true and correct copy, of a resolution of the Board of Directors of the Corporation authorizing the execution and delivery of such Additional Bonds, fixing the form, dates of maturity, interest payment dates, interest rates and prepayment provisions thereof,



providing for any Credit Facility to enhance the security or value of the Additional Bonds, providing any other terms with respect to the Additional Bonds, awarding the Additional Bonds to the purchasers specified therein, authorizing the execution of a supplement to the Installment Financing Agreement providing for increased Installment Payments and Additional Payments required by the delivery of the Additional Bonds and providing for the addition to the Mortgaged Property of any real property that is to become a part of the Mortgaged Property in connection with the delivery of the Additional Bonds and approving the execution by the County of a supplement or an amendment to the Deed of Trust increasing the amount of the obligations secured thereby and adding such additional property to the security therefor under the Deed of Trust accordingly and authorizing the execution of a supplement to the Trust Agreement with respect to the Additional Bonds;

(2) a copy, certified by the Clerk to the Board of Commissioners for the County to be a true and correct copy, of a resolution adopted by the County approving the terms and conditions under which the Additional Bonds are to be delivered and authorizing the execution of a supplement to the Installment Financing Agreement providing for increased Installment Payments and Additional Payments required by the delivery of the Additional Bonds and providing for the addition to the Mortgaged Property of any real property that is to become a part of the Mortgaged Property in connection with the delivery of the Additional Bonds and authorizing the execution of a supplement or an amendment to the Deed of Trust increasing the amount of the obligations secured thereby and adding such additional property to the security therefor under the Deed of Trust accordingly and approving the execution by the Corporation of a supplement to the Trust Agreement with respect to the Additional Bonds;

(3) an executed copy of such supplement to the Installment Financing Agreement, such supplement or amendment to the Deed of Trust and such supplement to the Trust Agreement;

(4) if required, a copy, certified by the Secretary or any Deputy Secretary of the Local Government Commission of North Carolina to be a true and correct copy, of a resolution of the Local Government Commission of North Carolina approving the Installment Financing Agreement, as so supplemented; and

(5) an opinion of Bond Counsel to the effect that the delivery of such Additional Bonds has been duly authorized under the Trust Agreement and will not adversely affect the tax treatment of interest with respect to any Outstanding Bonds for federal income tax purposes. (Section 2.08)

### ***The Trustee.***

Duties and Obligations. The Trustee is appointed pursuant to the Trust Agreement. The Trustee must keep complete and accurate records of all moneys received and funds administered by it and of all Bonds paid and discharged. So long as there is no Event of Default, the Trustee shall not be liable in connection with its performance under the Trust Agreement, except for its own negligence or willful misconduct. (Sections 8.01, 7.04 and 8.05)

Compensation. The Corporation will pay, solely from funds provided by the County, to the Trustee reasonable compensation for its services and will reimburse the Trustee for all of its advances and reasonable expenditures. The Trustee has a lien therefor on any and all funds at any

time held by it under the Trust Agreement. Such lien is prior and superior to the lien of the Owners. (Section 8.06)

**Indemnification.** The Corporation will, to the extent permitted by law, but solely from funds provided by the County, indemnify the Trustee from and against all claims, losses, costs, expenses, liability and damages. No indemnification is provided under the Trust Agreement for liabilities and damages incurred solely as a result of the willful misconduct or negligence of the Trustee. (Section 8.08)

**Removal.** The Trustee may be removed at any time by an instrument or concurrent instruments in writing, executed by (i) the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding or (ii) if no Event of Default has occurred or is continuing, by the County Representative and filed with the Corporation at least 60 days before such removal is to take effect as stated in said instrument or instruments. The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the County or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding. (Section 8.01)

**Resignation and Successor.** The Trustee may resign by giving not less than 30 days' written notice to the County and the Corporation. Upon receiving such notice of resignation, the County must promptly appoint a successor Trustee. In the event the County does not name a successor Trustee within 15 days of receipt of notice of the Trustee's resignation, the Trustee may petition a court of competent jurisdiction at the expense of the County, for immediate appointment of a successor Trustee. The County has the right to appoint any successor Trustee. Any successor Trustee must meet certain qualifications set forth in the Trust Agreement and be approved by the Local Government Commission of North Carolina as qualified to serve as a trustee prior to such appointment or obtains such approval in connection with such appointment. Any resignation or removal of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of the appointment by the successor Trustee. Upon such acceptance, the successor Trustee must mail notice of acceptance to the Bond Owners. (Section 8.01)

**Funds.** The Trust Agreement creates (1) the Project Fund, (2) the Prepayment Fund, (3) the Installment Payment Fund, and (4) the Net Proceeds Fund, to be held in trust by the Trustee.

(1) **The Project Fund.** There shall be deposited in and credited to the Project Fund the proceeds of the sale of the 2023 Bonds required to be deposited therein pursuant to the Trust Agreement and any amounts received as refunds of State sales tax with respect to expenditures made in connection with the 2023 Project and paid or reimbursed from moneys in the Project Fund. See "Estimated Sources and Uses of Funds" in the Official Statement of which this Appendix is a part. There shall also be credited to the Project Fund investment earnings on moneys held in the Project Fund and any other funds from time to time deposited with the Trustee for paying Delivery Costs or Project Costs. Moneys in the Project Fund will be disbursed for paying Project Costs and Delivery Costs on receipt by the Trustee of a requisition signed by the County Representative. (Section 3.03)

Upon the filing with the Trustee of a certificate of completion pursuant to the Installment Financing Agreement, the Trustee will withdraw all remaining moneys in the Project Fund (other

than any moneys retained therein to pay Project Costs and Delivery Costs not then due and payable as certified by the County Representative) and deposit such moneys in the Installment Payment Fund to be applied to the payment of the interest or principal components of Installment Payments or as the County may otherwise direct for the payment of the costs of additional public facilities as further provided in the Installment Financing Agreement. (Section 3.04)

(2) The Prepayment Fund. Moneys to be used for prepayment of the 2023 Bonds are to be deposited into the Prepayment Fund and used solely for the purpose of prepaying the 2023 Bonds in advance of their maturities on the date or dates designated for prepayment and upon presentation and surrender of such 2023 Bonds. (Section 4.01).

(3) The Installment Payment Fund. There shall be deposited in the Installment Payment Fund all Installment Payments, unexpended Bond proceeds and any other moneys required to be deposited therein pursuant to the Installment Financing Agreement or the Trust Agreement. (Section 5.03)

Except as otherwise allowed under the Trust Agreement, all moneys on deposit in the Installment Payment Fund are to be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Bonds as the same become due and payable in accordance with certain provisions of the Trust Agreement. (Section 5.04)

On each Bond Payment Date or Bond Prepayment Date, the Trustee will first set aside an amount sufficient to pay the interest evidenced by the Bonds becoming due and payable on such Bond Payment Date or Bond Prepayment Date and then an amount sufficient to pay the principal evidenced by the Bonds becoming due and payable on such Bond Payment Date or Bond Prepayment Date, and, on such Bond Payment Date or Bond Prepayment Date, the Trustee will mail checks representing the amount due as interest and principal, if applicable, to the Owners of the Bonds who are not Securities Depository Nominees unless such payment is to be made by wire transfer as provided in the next succeeding paragraph. (Section 5.04)

At such time as to enable the Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Trustee and any Securities Depository or any other Owner, the Trustee will withdraw from the Installment Payment Fund and remit by wire transfer to the Securities Depository or such Owner, in Federal Reserve or other immediately available funds, the amount required to pay interest and principal, if applicable, on the Bonds on each Bond Payment Date or Bond Prepayment Date; provided, however, that in no event will the Trustee be required to make such wire transfer prior to the Business Day next preceding each Bond Payment Date or Bond Prepayment Date. (Section 5.04)

(4) The Net Proceeds Fund. Upon receipt from the County of any Net Proceeds, the Trustee shall deposit such funds in the Net Proceeds Fund. The Trustee shall disburse Net Proceeds for replacement or repair of the Mortgaged Property as provided in the Installment Financing Agreement. (Sections 6.01 and 6.02)

The Trustee shall, to the extent there are no other available funds held under the Trust Agreement, use the remaining funds in the Net Proceeds Fund to pay principal and interest with respect to the Bonds in the event of a payment default under the Trust Agreement. (Section 6.02)

***Money in Funds Held in Trust.*** Except for the lien for the benefit of the Trustee under the Trust Agreement, the moneys and investments held by the Trustee upon the direction of the County under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Bonds, and such moneys, and any income or interest earned thereon, can be expended only as provided in the Trust Agreement, and are not subject to levy, attachment or lien by or for the benefit of any creditor of the County, the Board of Education, the Corporation, any related entity or the Trustee, or any of them. (Section 7.01)

***Investments Authorized.*** Except as otherwise provided in the Trust Agreement, moneys held by the Trustee under the Trust Agreement will be invested and reinvested on maturity by the Trustee, upon the written direction of the County, in Permitted Investments. Such investments, if registrable, shall be registered in the name of the Trustee or its assignee for the benefit of the Owners and held by the Trustee. (Section 7.02)

***Disposition of Investments.*** Any income, profit or loss on the investment of moneys held by the Trustee under the Trust Agreement will be credited to or charged against the respective fund in which they are held. (Section 7.03)

***Valuation and Disposition.*** For the purpose of determining the amount in any fund, the Trustee shall value all Permitted Investments credited to such fund at the market value of such Permitted Investments, exclusive of accrued interest. The Trustee will sell or present for prepayment any Permitted Investment purchased by the Trustee when and as necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited. (Section 7.05)

***Amendments.***

**With Consent.** The Trust Agreement and the rights and obligations of the Owners of the Bonds, the Installment Financing Agreement and the rights and obligations of the parties thereto and the Deed of Trust may be modified or amended, subject to receiving the approval of the Local Government Commission of North Carolina, at any time by a supplemental agreement which shall become effective when the written consents of each Credit Provider of a Credit Facility then in effect and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided below, have been filed with the Trustee in the time and manner provided in the Trust Agreement. No such modification or amendment can (1) extend or have the effect of extending the fixed maturity of any Bond or the time of payment of interest, or reduce or have the effect of reducing the interest rate with respect thereto, the amount of principal with respect thereto, or the amount of premium payable upon the prepayment thereof, without the written consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Installment Financing Agreement, the Trust Agreement or the Deed of Trust without the written consent of the Owners of all Outstanding Bonds, or (3) modify any of the rights or obligations of the Trustee or the County without its written assent thereto, or (4) modify adversely the security provided by any Credit Provider described under “*Covenants with Providers of Additional Security*” below without the written consent of the Owners of all Outstanding Bonds affected thereby. (Section 9.01)

**Without Consent.** The Trust Agreement and the rights and obligations of the Owners of the Bonds, the Installment Financing Agreement and the rights and obligations of the parties thereto and the Deed of Trust may be modified or amended, subject to receiving the approval of the Local Government Commission of North Carolina, at any time by a supplemental agreement, without the consent of any of the Owners of the Bonds to the extent permitted by law and only (1) to cure, correct or supplement any ambiguous or defective provision contained in the Trust Agreement, the Installment Financing Agreement or the Deed of Trust, or (2) in regard to matters arising under the Trust Agreement, the Installment Financing Agreement or the Deed of Trust, as the parties may deem necessary or desirable and which will not adversely affect the interest of the Owners of the Bonds, or (3) in connection with the delivery of Additional Bonds pursuant to the Trust Agreement, or (4) to make any changes that may be required by any Credit Provider described under “*Covenants with Providers of Additional Security*” below. Any such supplemental agreement becomes effective upon execution and delivery by the parties to the Trust Agreement, Installment Financing Agreement or the Deed of Trust, as the case may be. (Section 9.01)

***Disqualified Bonds.*** Bonds owned or held by or for the account of the County or the Corporation or by any person directly or indirectly controlled by, or under direct or indirect common control with the County or the Corporation (except any Bonds held in any pension or retirement fund) are not deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. (Section 9.03)

***Consent of Original Purchasers, Underwriter or Remarketing Agent.*** Notwithstanding anything in the Trust Agreement to the contrary, (a) any original purchaser, underwriter or remarketing agent holding any Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental agreement as required by the Trust Agreement, including any amendment or supplemental agreement that adversely affects the interests of other Owners and (b) any such Owner providing its consent as described in this paragraph shall not be entitled to receive, nor shall the Trustee be required to provide to such Owner, any prior notice or other documentation regarding such amendment or supplemental agreement. (Section 9.07)

***Covenants with Providers of Additional Security.*** If the Corporation shall have obtained the prior written consent of the Local Government Commission of North Carolina or its designee thereto, the Corporation may make such covenants as it may determine to be appropriate with any Credit Provider that shall agree to provide a Credit Facility with respect to any Bonds. Such covenants may be set forth in the applicable supplemental trust agreement or resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Bonds to be secured by such Credit Facility and shall be binding on the Corporation, the Trustee and all Owners of such Bonds so secured by such Credit Facility the same as if such covenants were set forth in full in the Trust Agreement, provided that no such covenants shall increase the duties or the liabilities of the Trustee without its consent or adversely affect the security or value of any other Bonds without the consent of the Owners thereof as are so affected thereby. (Section 10.03)

***Limited Liability of County and Corporation.*** Except for the payment of Installment Payments, Additional Payments and Prepayments payable in accordance with the Installment Financing Agreement and the performance of the other covenants and agreements of the County

contained in the Installment Financing Agreement, the County has no obligation or liability to the Corporation, the Trustee or to the Owners of the Bonds with respect to the Trust Agreement, the terms, execution, delivery or transfer of the Bonds, or the distribution of Installment Payments to the Owners by the Trustee.

The Bonds will not constitute a debt or general obligation of the Corporation and will not give the Owners any recourse to the assets of the Corporation but will be payable solely from amounts payable by the County under the Installment Financing Agreement and, as provided in the Trust Agreement, certain other moneys, including certain interest earnings, certain Net Proceeds, if any, and certain amounts realized from any sale or lease of the Mortgaged Property. (Section 11.01)

***Limited Liability of Trustee.***

No Investment Advice. The Trustee shall have no obligation or responsibility for providing information to the Owners concerning the investment character of the Bonds.

Sufficiency of the Trust Agreement or Installment Payments. The Trustee makes no representations as to the validity or sufficiency of the Bonds and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations imposed or assigned in the Trust Agreement or in the Bonds. The Trustee shall not be responsible for the sufficiency of the Installment Financing Agreement or the Deed of Trust. The Trustee shall not be liable for the sufficiency or collection of any Installment Payments or other moneys required to be paid to it under the Installment Financing Agreement (except as provided in the Trust Agreement), its right to receive moneys pursuant to the Installment Financing Agreement, or the value of or title to the Mortgaged Property.

Actions of Corporation and County. The Trustee shall have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement, the Installment Financing Agreement or the Deed of Trust, or the failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement, the Installment Financing Agreement or the Deed of Trust, but shall be responsible solely for the performance of the duties and obligations expressly imposed upon the Trustee under the Trust Agreement.

Recitals and Agreements of Corporation and County. The recitals of facts, covenants and agreements in the Trust Agreement, in the Installment Financing Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the Corporation or the County, as the case may be, and the Trustee assumes no responsibility for the correctness of the same. (Section 11.03)

***Events of Default.*** Each of the following is an Event of Default under the Trust Agreement:

(a) Default in the payment of the principal with respect to any Bond when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for prepayment; provided, however, that in determining whether a default in payment has occurred, no effect shall be given to payments made under any Credit Facility.

(b) Default in the payment of any installment of interest with respect to any Bond when the same shall become due and payable; provided, however, that in determining whether a default in payment has occurred, no effect shall be given to payments made under any Credit Facility.

(c) The occurrence of an event of default as provided in the Installment Financing Agreement. (Section 12.01)

***Acceleration of Maturities.*** Upon the happening and continuance of any Event of Default specified in the Trust Agreement, the Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, by notice in writing to the Corporation and the County, declare the principal with respect to all Bonds then Outstanding (if not then due and payable) to be due and payable immediately; provided, however, that with respect to the Additional Bonds for which a Credit Facility is in effect and as to which the Credit Provider has not failed to comply with its payment obligations thereunder, upon the happening and continuance of any Event of Default specified in the Trust Agreement, the Trustee shall declare the principal with respect to such Additional Bonds to be immediately due and payable if the Credit Provider for such Additional Bonds shall so direct and shall not declare the principal with respect to such Additional Bonds to be immediately due and payable unless the Credit Provider for such Additional Bonds shall have consented to such declaration. Such declaration may be rescinded under the circumstances specified in the Trust Agreement. (Section 12.01)

***Remedies.*** If an Event of Default shall happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, with the written consent of the Credit Provider so long as a Credit Facility is in effect and such Credit Provider has not failed to comply with its payment obligations thereunder, or shall, at the direction of each Credit Provider exercise any and all remedies available pursuant to law or granted pursuant to the Installment Financing Agreement or the Deed of Trust. (Section 12.01)

***Application of Funds.*** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or the Installment Financing Agreement will be deposited into the Installment Payment Fund and applied after payment of all amounts due to the Trustee and costs of Owners in declaring such Event of Default in the following order upon presentation of the Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

(a) if the principal with respect to all Bonds shall not have become or shall not have been declared due and payable, all such moneys in the Installment Payment Fund shall be applied:

First, to the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the persons entitled thereto of the unpaid principal with respect to any Bonds which shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal at a rate

equal to the rate paid with respect to the Bonds and, if the amount available will not be sufficient to pay in full all of the amounts due with respect to the Bonds on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

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

(c) If the principal with respect to all Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the Trust Agreement, then, subject to the provisions of paragraph (b) above in the event that the principal with respect to all Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the Installment Payment Fund shall be applied in accordance with the provisions of paragraph (a) above. (Section 12.02)

***Defeasance.*** If any Outstanding Bonds are paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Bonds, as and when the same become due and payable;

(b) if prior to maturity and having given notice of prepayment, by irrevocably depositing with the Trustee, in trust, at or before maturity, an amount of cash which (together with cash then on deposit in the Installment Payment Fund, in the event of payment or provision for payment of all Outstanding Bonds) is sufficient to pay such Bonds, including all principal, interest and premium, if any; or

(c) by irrevocably depositing with the Trustee, in trust, (i) Defeasance Obligations together with cash, if required, in such amount as will, in the opinion of experts in the field acceptable to the Trustee, together with interest to accrue thereon (and, in the event of payment or provision for payment of all Outstanding Bonds, moneys then on deposit in the Installment Payment Fund together with the interest to accrue thereon), be fully sufficient to pay and discharge all such Bonds including all principal and interest represented thereby and prepayment premiums, if any, at or before their maturity date and (ii) an opinion of Bond Counsel to the effect that the conditions set forth in the Trust Agreement for defeasance have been satisfied;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Corporation, the Trustee and the County with respect to such Bonds will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the County from funds deposited pursuant to paragraphs (b) and (c) above, to the Owners of the Bonds not so surrendered and paid, all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) and (c) above, the Bonds shall continue to represent direct and proportionate interests of the Owners thereof in the Installment Payments



under the Installment Financing Agreement and the Trustee will execute and deliver to the Corporation and the County a written release of the Trust Agreement.

In the event of an advance refunding, the County shall cause to be delivered a verification report of a firm of experts in the field as to the sufficiency of any escrow fund created therefor.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (b) and (c) above, which are not required for payment to be made to Owners and the fees and expenses of the Trustee, shall be paid to the County. (Section 13.01)

## **THE DEED OF TRUST**

***Grant of Lien on Mortgaged Property.*** As security for its obligations under the Installment Financing Agreement, the County grants to the Deed of Trust Trustee a lien of record on the Mortgaged Property, including all buildings, structures, improvements and fixtures thereon and all appurtenances thereto of any nature whatsoever, subject to Permitted Encumbrances. The Deed of Trust may be amended or supplemented from time to time to secure Additional Bonds required by their terms to be secured by the Deed of Trust on a parity with the 2023 Bonds. (Article I)

***Replacement of Deed of Trust Trustee.*** The Corporation, with or without cause, may remove the Deed of Trust Trustee and appoint a successor trustee. In the event of death or resignation of the Deed of Trust Trustee, the Corporation shall have the right to appoint the successor trustee and any trustee so appointed shall be vested with the title to the Mortgaged Property and possess all the powers, duties and obligations of its predecessor. (Section 6.1)

***Foreclosure.*** Upon the occurrence of any one or more of the Events of Default under the Trust Agreement and if the maturities of the 2023 Bonds or any Additional Bonds shall have been accelerated as provided in the Trust Agreement, all of the obligations secured by the Deed of Trust shall immediately become due and payable at the option of the Corporation, and, upon the direction of the Corporation, the Deed of Trust Trustee shall sell all or any part or parts of the Mortgaged Property at public auction for cash after first having given such notice as to commencement of foreclosure proceedings and having obtained such findings and leave of court as may then be required by law and upon such sale and any resale to convey title to the purchaser in fee simple. No delay or omission of the Deed of Trust Trustee or the Corporation to exercise any right or power accruing upon any Event of Default shall impair such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein. The County waives any and all rights to require marshalling of assets in connection with the exercise of any remedies provided in the Deed of Trust or as permitted by law. (Sections 3.1, 4.1)

***Additional Remedies.*** Upon the occurrence of an Event of Default, the Corporation and the Deed of Trust Trustee are entitled to exercise all rights and remedies provided in the Deed of Trust or as otherwise provided by law or in equity, including, without limiting the generality of the foregoing, the right to have appointed a receiver of the Mortgaged Property, the right to judicial foreclosure or mortgage foreclosure under Chapter 45 of the General Statutes of North Carolina and the right to enter the Mortgaged Property and to operate, maintain, control and lease the same. (Section 4.1)

***Release of Mortgaged Property.*** Notwithstanding any other provisions of the Deed of Trust, with the consent of the Corporation and at any time so long as there is no Event of Default, the Deed of Trust Trustee shall Release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust or permit to be incurred any encumbrance upon the Mortgaged Property to the extent permitted by the Deed of Trust. (Section 5.1)

So long as any Bonds remain Outstanding or sufficient funds for their payment in full are not held in trust by the Trustee under the Trust Agreement, a Release of all or a part of the Mortgaged Property shall be permitted only when and if the following requirements have been fulfilled:

(a) In connection with any Release of the Mortgaged Property or any part thereof, there will 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 Mortgaged Property, giving adequate legal description of the part of the Mortgaged Property to be released, requesting such Release and providing for the payment by the County of all expenses in connection with such Release.

(b) In connection with the Release of any part of the Mortgaged Property constituting less than all of the Mortgaged Property, such Release does not inhibit in any material way ingress or egress to the remaining portion of the Mortgaged Property or materially interfere with the intended use of the remaining portion of the Mortgaged Property (such determination to be made by a certificate of a County Representative filed with the Corporation to such effect.

(c) In connection with the Release of any part of the Mortgaged Property constituting less than all of the Mortgaged Property, the appraised, tax or insured value of the Mortgaged Property remaining after the proposed Release is not less than fifty percent (50%) of the aggregate principal components of the Installment Payments relating to the Bonds then Outstanding.

(d) In connection with the Release of all property constituting the Mortgaged Property, there shall have been paid to the Trustee an amount sufficient to provide for the payment in full of all Outstanding Bonds in accordance with the Trust Agreement. (Section 5.2)

**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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June \_\_, 2023

County of Onslow, North Carolina  
Jacksonville, North Carolina

Onslow County Public Facilities Company  
Jacksonville, North Carolina

\$49,540,000  
Onslow County Public Facilities Company  
Limited Obligation Bonds (Onslow County, North Carolina), Series 2023  
(the "2023 Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to the County of Onslow, North Carolina (the "County") in connection with the sale of the referenced bonds (the "2023 Bonds") evidencing proportionate undivided interests in rights to receive installment payments to be made with respect to an Installment Financing Agreement dated as of June 1, 2023 (the "Agreement") between the County and the Onslow County Public Facilities Company, a North Carolina nonprofit corporation (the "Corporation"), executed and delivered in the original aggregate principal amount of \$49,540,000, pursuant to Section 160A-20 of the North Carolina General Statutes, as amended, and a Trust Agreement dated as of June 1, 2023 (the "Trust Agreement") between the Corporation and U.S. Bank Trust Company National Association, as trustee (the "Trustee"). Under the Agreement, the County has agreed to repay the amounts advanced to it under the Agreement, with interest, in installments (the "Installment Payments"). Under the Trust Agreement, the Corporation has assigned the right to receive the Installment Payments to the Trustee. As security for payment of the Installment Payments, the County has executed a Deed of Trust and Security Agreement dated as of June 1, 2023 (the "Deed of Trust") covering the real property on which certain improvements financed by the subject transaction are located.

No deficiency judgment may be rendered against the County in any action for breach of a contractual obligation under the Agreement, the remedies provided under the Deed of Trust, including foreclosure under the Deed of Trust, being the sole remedies available. The taxing power of the County is not and may not be pledged in any way, directly or indirectly, to secure the payments due under the Agreement or any other instrument contemplated thereby.

As to questions of fact material to our opinion, we have relied upon representations contained in various transaction documents, certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have examined such law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

Based on the foregoing, we are of the opinion that, under existing law:

1. Each of the Agreement and the Deed of Trust has been duly authorized, executed and delivered by the County and is a valid and binding obligation of the County, enforceable upon the County. We note, however, that the covenants of the County in the Agreement relating to indemnification are given to the extent permitted by law.

2. Each of the Agreement and the Trust Agreement has been duly authorized, executed and delivered by the Corporation and is a valid and binding obligation of the Corporation, enforceable upon the Corporation.

3. The 2023 Bonds are entitled to the benefits of the Trust Agreement and evidence proportionate undivided interests in rights to receive Installment Payments pursuant to the Agreement.

4. The portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in computing the alternative minimum tax on certain corporations to the extent such interest is included in the "adjusted financial statement income" of such corporations. The opinion set forth in the preceding sentence is subject to the condition that the County and the Corporation 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 2023 Bonds in order that such interest be, or continue to be, excludable from gross income for federal income tax purposes. The County and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause such interest to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2023 Bonds.

5. The portion of each Installment Payment designated as and comprising interest with respect to the 2023 Bonds is exempt from North Carolina income taxes.

The rights of the owners of the 2023 Bonds and the enforceability of the Agreement, the Deed of Trust and the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights generally, by equitable principles (whether considered at law or in equity) and by the exercise of judicial discretion.

This opinion does not cover any matters of title or priority of liens.

We express no opinion herein (a) regarding the accuracy, adequacy or completeness of the Official Statement relating to the 2023 Bonds or (b) except as stated above, regarding federal, state or local tax consequences arising with respect to the 2023 Bonds.

In rendering this opinion, we have relied upon the opinion of Brett J. DeSelms, Esq., County Attorney and counsel to the Corporation, with respect to the authorization, execution and delivery by the County and the Corporation, as applicable, of the 2023 Bonds, the Agreement and the Trust

Agreement and with respect to the recordation of the Warranty Deed (as described in such opinion) and the Deed of Trust.

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

Respectfully submitted,

[to be signed by Robinson, Bradshaw & Hinson, P.A.]

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**APPENDIX E**  
**BOOK-ENTRY-ONLY SYSTEM**

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## APPENDIX E

### BOOK-ENTRY-ONLY SYSTEM

Beneficial ownership interests in the 2023 Bonds will be available only in a book-entry system. The actual purchasers of the 2023 Bonds (the “*Beneficial Owners*”) will not receive physical bonds representing their interests in the 2023 Bonds purchased. So long as The Depository Trust Company (“*DTC*”), Jersey City, New Jersey, or its nominee is the registered owner of the 2023 Bonds, references in this Official Statement to the Owners of the 2023 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

THE FOLLOWING DESCRIPTION OF DTC, OF PROCEDURES AND RECORD KEEPING ON BENEFICIAL OWNERSHIP INTERESTS IN THE 2023 BONDS, PAYMENT OF INTEREST AND OTHER PAYMENTS WITH RESPECT TO THE 2023 BONDS TO DTC PARTICIPANTS OR TO BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE 2023 BONDS, AND OR OTHER TRANSACTIONS BY AND BETWEEN DTC, DTC PARTICIPANTS AND BENEFICIAL OWNERS IS BASED ON INFORMATION FURNISHED BY DTC.

The Depository Trust Company  
a subsidiary of The Depository Trust & Clearing Corporation

DTC will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each maturity will be issued for the 2023 Bonds, in the aggregate principal amount of such maturity, and will be deposited with 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“*Direct Participants*”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the 2023 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC’s records. The ownership interest of each actual purchaser of the 2023 Bonds (“*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 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2023 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2023 Bonds may wish to ascertain that the nominee holding the 2023 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the 2023 Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 2023 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments with respect to the 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee, the County and/or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and

Indirect Participants. NEITHER THE COUNTY NOR THE CORPORATION CAN GIVE ANY ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2023 Bonds at any time by giving reasonable notice to the Trustee or the Corporation. Under such circumstances, in the event that a successor depository is not obtained, physical bond certificates are required to be printed and delivered.

The Trustee or the Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

THE COUNTY, THE CORPORATION AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2023 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS ON ANY PARTIAL PREPAYMENT OF THE 2023 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2023 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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