

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 3, 2026

New Issue / Book-Entry Only

Ratings: Moody's: Aa2
Fitch: AA+
(See "RATINGS" herein)

This Official Statement has been prepared by the County of Rowan, North Carolina (the "County") to provide information in the connection with the sale and issuance of the bonds described herein (the "Bonds"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety. Unless otherwise indicated, capitalized terms used on this cover page have the meanings given in the Official Statement.

\$40,320,000*
COUNTY OF ROWAN, NORTH CAROLINA
GENERAL OBLIGATION COMMUNITY COLLEGE BONDS
SERIES 2026

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

Tax Treatment:

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

Redemption:

The Bonds will be subject to optional redemption prior to maturity at the time and price described herein.

Security:

The Bonds constitute general obligations of the County, secured by a pledge of faith and credit and taxing power of the County.

Interest Payment Dates:

April 1 and October 1 of each year, commencing October 1, 2026.

Denominations:

\$5,000 or integral multiples thereof.

Expected Closing:

March 31, 2026.

Bond Counsel:

McGuireWoods LLP, Raleigh, North Carolina.

County Attorney:

John W. Dees, II, Esq., Salisbury, North Carolina.

Municipal Advisor:

First Tryon Advisors LLC, Charlotte, North Carolina.

Sale Date:

March 10, 2026.

Sale of Bonds:

Pursuant to sealed and electronic bids in accordance with the Notice of Sale.

The date of this Official Statement is March __, 2026

* Preliminary; subject to change.

MATURITY SCHEDULE*

County of Rowan, North Carolina
\$40,320,000 General Obligation Community College Bonds, Series 2026

| <u>Due April 1</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield¹</u> | <u>CUSIP⁺</u> |
|------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|
| 2027 | \$2,690,000 | | | |
| 2028 | 2,690,000 | | | |
| 2029 | 2,690,000 | | | |
| 2030 | 2,690,000 | | | |
| 2031 | 2,690,000 | | | |
| 2032 | 2,690,000 | | | |
| 2033 | 2,690,000 | | | |
| 2034 | 2,690,000 | | | |
| 2035 | 2,690,000 | | | |
| 2036 | 2,685,000 | | | |
| 2037 | 2,685,000 | | | |
| 2038 | 2,685,000 | | | |
| 2039 | 2,685,000 | | | |
| 2040 | 2,685,000 | | | |
| 2041 | 2,685,000 | | | |

* Preliminary; subject to change.

¹ Information obtained from the underwriters of the Bonds.

⁺ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright©2026 CUSIP Global Services. All rights reserved. The CUSIP data herein is provided solely for the convenience of reference only, and none of the County or any of the Underwriters makes any representation to the correctness of the CUSIP numbers either as printed on the Bonds or as contained herein.

COUNTY OF ROWAN, NORTH CAROLINA



Board of Commissioners

Greg Edds.....Chairman

Jim Greene Vice-Chairman

Mike Caskey, Jr.

Judy Klusman

Craig Pierce



County Staff

Aaron Church..... County Manager

Anna Bumgarner Chief Finance Officer

John W. “Jay” Dees, II, Esq. County Attorney



Municipal Advisor

First Tryon Advisors LLC
Charlotte, North Carolina



Bond Counsel

McGuireWoods LLP
Raleigh, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION
LOCAL GOVERNMENT COMMISSION

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the issuance by the County of Rowan, North Carolina (the “County”) of its \$40,320,000* General Obligation Community College Bonds, Series 2026 (the “Bonds”).

The information furnished herein includes a brief description of the County and its economic condition, government, debt management, tax structure, financial operations, budget, pension plans and contingent liabilities. The County has assisted the Local Government Commission of North Carolina (the “Commission”) in gathering and assembling the information contained herein.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the Bonds in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any date subsequent to the date hereof. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available to the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of the Rule, the County has agreed in resolutions adopted by the Board of Commissioners of the County to undertake certain continuing disclosure obligations. See the caption “CONTINUING DISCLOSURE” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

The Commission, a division of the Department of State Treasurer, State of North Carolina (the “State”), is a State agency that supervises the issuance of the bonded indebtedness of all units of local government and assists these units in the area of fiscal management. Appendix B to this Official Statement contains additional information concerning the Commission and its functions.

*Preliminary; subject to change.

THE BONDS

General

The Bonds will be dated the date of delivery and will mature on April 1 in the years and amounts set forth on the inside cover hereof. Interest on the Bonds will be payable on each April 1 and October 1, beginning October 1, 2026, at the rates set forth on the inside cover hereof. The Bonds will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. Interest will be paid on the interest payment date to the person appearing on the record books of the County as the registered owner of the Bonds as of the close of business on the 15th day of the month (whether or not a business day) preceding the interest payment date.

The Bonds will be issuable as fully registered bonds in book-entry system maintained by The Depository Trust Company, Jersey City, New Jersey (“DTC”). DTC will act as securities depository for the Bonds. Purchases and transfers of the Bonds may be made only in authorized denominations of \$5,000 and any integral multiple thereof and in accordance with the practices and procedures of DTC. See Appendix G hereto for a description of the book-entry system and DTC.

Redemption Provisions

The Bonds maturing on or prior to April 1, 2036, are not subject to redemption prior to their respective maturities. The Bonds maturing on or after April 1, 2037, are subject to redemption prior to their respective maturities, at the option of the County, from any moneys that may be available for such purpose, either in whole or in part, on any date not earlier than April 1, 2036, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected in such manner as the County may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000. So long as a book-entry system with DTC is used for determining beneficial ownership of Bonds, if less than all of the Bonds within a maturity are to be redeemed, DTC and its participants shall determine by lot which of the Bonds within a maturity are to be redeemed.

Notice of redemption will be given by facsimile transmission, registered or certified mail or overnight express delivery to DTC or its nominee as the registered owner of the Bonds. Such notice shall be sent or mailed no more than 60 days nor less than 30 days prior to the date fixed for redemption. The County will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

The notice of redemption may state that the County retains the right to rescind such notice on or prior to the scheduled redemption date, and such notice and redemption shall be of no effect if such notice is rescinded. Any redemption may be rescinded in whole or in part at any time prior to the scheduled redemption date if the County gives notice thereof on or prior to the scheduled redemption date in the manner provided above for redemptions. Any Bonds as to which redemption has been rescinded shall remain outstanding.

On the date fixed for redemption, notice having been given as hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed plus accrued interest thereon to the date fixed for redemption have been deposited by the County to be held in trust for the registered owners of the Bonds or portions thereof called for redemption, such Bonds or portions thereof shall cease to be entitled to any benefits or security under the

Bond Resolution (as hereinafter defined) or to be deemed outstanding, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption, and, if a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate for the unredeemed portion of the principal amount of such Bond.

Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the County on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed, and that if such moneys are not so received, such notice shall be of no force or effect and such Bond shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the redemption price and interest on such Bonds are not received by the County on or prior to the redemption date, the redemption shall not be made and the County shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Authorization and Purpose

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, the bond order duly adopted by the Board of Commissioners for the County on December 16, 2019, which order was approved by the vote of a majority of the qualified voters of the County who voted thereon at a referendum duly called and held on March 3, 2020, and a resolution authorizing the issuance of the Bonds duly adopted by the Board of Commissioners for the County on February 16, 2026 (the “Bond Resolution”). The Bonds are being issued for the purpose of providing funds, together with other available funds, for the acquisition, construction, installation, renovation and equipping of educational facilities of Rowan-Cabarrus Community College.

Security

The Bonds are general obligations of the County. The County is authorized by law to levy on all taxable real and tangible personal property by the County such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

Bankruptcy

Under North Carolina law, a local governmental unit may not file for bankruptcy protection without the consent of the Commission and satisfaction of the requirements of certain provisions of the United States Bankruptcy Code. If bankruptcy proceedings were initiated by the County with the consent of the Commission, the bankruptcy proceedings could have adverse effects on owners of the 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 Bonds. The effect of the provisions of the United States Bankruptcy Code on the rights and remedies of the owners of the Bonds cannot be predicted and may be affected significantly by judicial interpretation, general principles of equity (regardless of whether considered in a proceeding in equity or at law) and considerations of public policy. Other than bankruptcy, North Carolina law provides that the Commission has authority to intervene in the financial affairs, including taking full control thereof, of any local government unit, including the County, if the unit defaults, or in the opinion of the Commission will default, on future debt service payments.

CONTINUING DISCLOSURE

In the Bond Resolution adopted by the Board of Commissioners of the County, the County has undertaken, for the benefit of the beneficial owners of the 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, commencing with the fiscal year ending June 30, 2026, 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, commencing with the fiscal year ending June 30, 2026, the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included in the tables under the headings “THE COUNTY - Debt Information” and “- Tax Information” (excluding any information on underlying units) in Appendix A to this Official Statement, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
 - (1) principal and interest payment delinquencies;
 - (2) non-payment related defaults, if material;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
 - (7) modification to the rights of the beneficial owners of the Bonds, if material;
 - (8) calls of any of the Bonds, if material, and tender offers;
 - (9) defeasances;
 - (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the County;
 - (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;

- (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect beneficial owners of the Bonds, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties; and
- (d) in a timely manner, notice of a failure of the County to provide required annual financial information described in (a) or (b) above on or before the date specified.

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

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

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

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

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

Pursuant to the Bond Resolution, 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 of the Bonds, as determined by nationally recognized bond counsel or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding.

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 County filed unaudited financial statements and operating data for the Fiscal Year ended June 30, 2020 on January 28, 2021, but required information with respect to general obligation debt ratios and the largest taxpayers in the County was not included in such filings. Such information was included in the audited financial statements of the County for the Fiscal Year ended June 30, 2020, filed on April 20, 2021. Such audited annual financial statements were filed more than 15 days after such audited financial statements became available for distribution. The County did not file a notice of failure to file with respect to the foregoing. Except as described above, to the best of the County's knowledge, it has complied in all material respects with its previous continuing disclosure undertakings under Rule 15c2-12 for the past five years.

LEGAL MATTERS

Certain legal matters relating to the authorization and issuance of the Bonds are subject to the approval of McGuireWoods LLP, Raleigh, North Carolina, as Bond Counsel. The proposed form of the approving legal opinion of Bond Counsel is included in Appendix E hereto.

TAX TREATMENT

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion regarding the federal income tax status of the interest on the Bonds will state that, under current law and assuming continuing compliance with the Covenants (as hereinafter defined), interest on the Bonds (i) is excludable from gross income of the owners thereof for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals. However, such interest is included in the "adjusted financial statement income" (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. See "Proposed Form of Legal Opinion" in Appendix E hereto.

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

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

Reliance and Assumptions; Effect of Certain Changes

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

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of

requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed by such Bonds, limitations on the source of the payment of and the security for such Bonds and the obligation to rebate certain excess earnings on the gross proceeds of such Bonds to the United States Treasury. The Tax Certificate to be entered into by the County (the "Tax Certificate") with respect to the Bonds contains covenants (the "Covenants") with which the County has agreed to comply. Failure by the County to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. If such a failure occurs, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

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

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

Certain Collateral Federal Tax Consequences

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

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, banks and other financial institutions, certain insurance companies, dealers in tax-exempt obligations, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial securitization trust, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

Original Issue Discount

Bonds purchased in the initial public offering with yields higher than their applicable interest rates, as shown on the inside cover page hereof, have been sold with "original issue discount." Each such Bond is referred to below as an "OID Bond." The excess of (i) the stated amount payable at the maturity (excluding qualified stated interest) of any OID Bond over (ii) the issue price of the OID Bond as determined under Section 1273 of the Code (which may differ from the price shown on the inside front cover page of this Official Statement) constitutes the amount of original issue discount, which is treated in the same manner as interest on the Bonds for federal income tax purposes.

The Code provides that the amount of original issue discount accrues in accordance with a constant interest method based on the compounding of interest. In the case of an original owner of an OID Bond,

the amount of original issue discount that is treated as having accrued on such OID Bond is added to the owner's adjusted basis in determining, for federal income tax purposes, gain or loss upon the disposition of the OID Bond (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued original issue discount will be excludable from the gross income of the owner for federal income tax purposes.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial public offering may be determined according to rules that differ from those described above.

In addition, original issue discount that accrues in each year to an owner of an OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed in this section. Consequently, the owner of an OID Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although such owner has not received cash attributable to such original issue discount in such year.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the original issue discount accrued upon sale or redemption of such OID Bonds (including OID Bonds not purchased in the initial public offering) and with respect to the state and local tax consequences of owning OID Bonds.

Original Issue Premium

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

Prospective purchasers of any OIP Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, sale, exchange, or other disposition of, and amortization of bond premium on, such OIP Bonds.

Information Reporting and Backup Withholding

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

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

Internal Revenue Service Audits

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

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

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

Changes in Federal and State Tax Law and Regulations

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may affect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes.

The U.S. Department of the Treasury and the IRS and state regulatory authorities are continuously drafting regulations to interpret and apply the provisions of the Code and state law and court proceedings may be filed the outcome of which could modify the federal or state tax treatment of tax-exempt obligations.

There can be no assurance that legislation proposed or enacted after the date of issue of the Bonds, regulatory interpretation of the Code or state laws or actions by a court involving either the Bonds or other tax-exempt obligations will not have an adverse effect on the Bonds' federal or state tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Bonds.

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

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the Bonds.

RATINGS

Moody's Investors Service, Inc. and Fitch Ratings, have assigned ratings of "Aa2" and "AA+," respectively, to the Bonds. These ratings reflect only the view of such rating agencies, and an explanation of the significance of such ratings may be obtained from such rating agencies. Certain information and materials not included in this Official Statement were furnished to such rating agencies. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the Bonds.

MUNICIPAL ADVISOR

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

UNDERWRITING

The underwriters for the Bonds are _____.¹

The underwriters for the Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields set forth on the inside cover page of this Official Statement, the underwriters anticipate total selling compensation of \$_____.¹

¹Information provided by the underwriters of the Bonds.

MISCELLANEOUS

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

References herein to the State Constitution and legislative enactments are only brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof.

The execution of this Official Statement has been duly authorized by the Local Government Commission of North Carolina and the Board of Commissioners of the County.

**LOCAL GOVERNMENT COMMISSION
OF NORTH CAROLINA**

By

Denise H. Canada
Secretary of the Commission

COUNTY OF ROWAN, NORTH CAROLINA

By

Greg Edds
Chairman of the Board of Commissioners

By

Aaron Church
County Manager

By

Anna Bumgarner
Chief Finance Officer

THE COUNTY

GENERAL DESCRIPTION

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

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

There are 10 municipalities in the County, the largest of which is Salisbury (the County seat), with a population of approximately 36,678 as of June 30, 2024. The other municipalities are China Grove, Cleveland, East Spencer, Faith, Granite Quarry, Kannapolis, Landis, Rockwell and Spencer.

DEMOGRAPHIC CHARACTERISTICS

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

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

In addition, the North Carolina Office of State Budget and Management has estimated the County’s population as of July 1, 2024 to be 154,239.

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

| <u>Year</u> | <u>County</u> | <u>State</u> | <u>United States</u> |
|-------------|---------------|--------------|----------------------|
| 2020 | \$42,252 | \$51,816 | \$59,151 |
| 2021 | 46,666 | 57,233 | 64,692 |
| 2022 | 46,911 | 59,092 | 66,298 |
| 2023 | 49,152 | 62,233 | 70,002 |
| 2024 | 51,712 | 65,634 | 73,204 |

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

COMMERCE AND INDUSTRY

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

In March 2022, Macy’s Inc. announced plans to invest more than \$584 million to build its first automated fulfillment center. Once fully operational, the company plans to create 2,800 new jobs in the County. The grand opening for the facility was Thursday, October 16, 2025.

In September 2023, Chick-Fil-A Supply, a wholly owned subsidiary of Chick-Fil-A, Inc., and distribution service provider of the popular chain's restaurants, announced plans to open a new distribution center at Lakeshore Corporate Park in Kannapolis. The company is expected to invest \$58.3 million and create 112 jobs as part of the project.

In December 2023, DHL Supply Chain, a division of DHL Group and global logistics leader, announced it will be occupying a new 713,000 square foot facility at the Innovation Logistics Center in Salisbury. At the time of the announcement, the company expected to create 80 jobs between 2023 and 2026. Total investment in the project is estimated to be \$114 million.

In April 2024, Jackson Shaw, a national real estate developer headquartered in Texas, began construction on Landis Ridge. Jackson Shaw plans to invest \$125 million in the construction of multiple speculative buildings totaling 1.3 million square feet. This new development will be located off Old Beatty Ford Road in Landis.

In May 2024, Amrep Manufacturing Company, a producer of waste collection trucks, announced plans to expand its operations, adding 170 jobs and investing more than \$21 million in the County. The new building will be an 80,000-square-foot production space. The facility was expected to be fully operational in January 2026.

In December 2024, Ever Home Plastics, a subsidiary of Vacane Home Concepts, Inc., announced plans to establish its first U.S. production facility in the Mid-South Industrial Park. The company is expected to invest \$3.65 million and create 46 jobs, with an average annual salary of \$57,826, as part of the project.

In April, 2025, REBEL (formerly RebelStork), an innovative returns recommerce company, expanded its footprint into the County. The company has leased a 279,000 square foot facility at Lakeshore Business Park in Kannapolis and expects to create 100 new jobs over the next several years.

In June 2025, Jabil, Inc., a leader in engineering, supply chain, and manufacturing solutions, announced plans to create 1,181 jobs in the County. The company is expected to invest approximately \$500 million over the next several years to establish manufacturing operations in the former Gildan facility near Granite Quarry. The new manufacturing facility will support cloud and AI data center customers.

New speculative industrial buildings in Salisbury were announced by three leading real estate developers: SunCap Property Group, SJP Properties, and MWI Property Group. Collectively, these buildings are expected to total 660,000 square feet and add millions to the tax bases of Salisbury and the County.

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

| <u>Company/Institution</u> | <u>Product/Service</u> | <u>Number of Employees</u> |
|------------------------------------|------------------------------|----------------------------|
| VA Medical Center | Health Services | 3,350 |
| Ahold Delhaize Food Lion | Retail Trade, Transportation | 3,160 |
| Daimler Trucks North America | Manufacturing | 2,780 |
| Rowan Salisbury Schools | Education | 2,450 |
| Novant Health Rowan Medical Center | Health Services | 1,500 |
| Chewy | Retail Trade | 920 |
| Rowan County | Public Administration | 892 |
| Macy's Inc. | Retail Trade | 650 |
| Teijin | Manufacturing | 547 |
| Rowan Cabarrus Community College | Education | 410 |

Source: County FY 2025 ACFR.

Total taxable sales in the County for the five full fiscal years ended June 30, 2021 through 2025 and a portion of the 2026 fiscal year are shown in the following table:

| <u>Fiscal Year</u> | <u>Total Taxable Sales</u> | <u>Increase (Decrease) Over Previous Year</u> |
|------------------------------|----------------------------|---|
| 2021 | \$1,716,383,069 | 15.00% |
| 2022 | 1,982,286,987 | 15.49 |
| 2023 | 2,224,934,402 | 12.24 |
| 2024 | 2,296,186,458 | 3.20 |
| 2025 | 2,411,730,891 | 5.03 |
| 2026 (6 months) ¹ | 1,235,363,236 | -- |

¹The comparable figure for the six-month period ended December 31, 2024 is \$1,189,984,240.
Source: North Carolina Department of Revenue, Sales and Use Tax Division.

The following table illustrates building permit activity in the County for the past five fiscal years:

| <u>Fiscal Year</u> | <u>Residential</u> | | <u>Commercial</u> | | <u>Total</u> | |
|--------------------|--------------------|---------------|-------------------|---------------|---------------|---------------|
| | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> | <u>Number</u> | <u>Value</u> |
| 2021 | 666 | \$201,612,504 | 36 | \$ 15,269,523 | 702 | \$216,882,027 |
| 2022 | 772 | 218,763,452 | 33 | 56,121,987 | 805 | 274,885,439 |
| 2023 | 559 | 218,853,114 | 68 | 191,130,225 | 627 | 409,983,339 |
| 2024 | 622 | 240,033,436 | 68 | 142,680,984 | 690 | 382,714,420 |
| 2025 | 791 | 347,150,614 | 46 | 111,894,656 | 837 | 459,045,270 |

Source: Rowan County Building Inspections.

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

| <u>Year</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>Apr</u> | <u>May</u> | <u>Jun</u> | <u>July</u> | <u>Aug</u> | <u>Sep</u> | <u>Oct</u> | <u>Nov</u> | <u>Dec</u> |
|-------------|------------|------------|--------------------|---------------------|---------------------|------------|-------------|------------|------------|------------------|------------|------------------|
| 2020 | 4.3% | 4.0% | 4.8 ¹ % | 15.2 ¹ % | 13.4 ¹ % | 10.3% | 9.5% | 7.1% | 6.5% | 5.6% | 5.6% | 5.8% |
| 2021 | 6.3 | 6.1 | 5.5 | 6.4 | 5.1 | 5.5 | 5.0 | 4.9 | 4.1 | 4.1 | 3.8 | 3.3 |
| 2022 | 4.0 | 3.8 | 3.5 | 3.3 | 3.5 | 4.0 | 3.9 | 4.0 | 3.4 | 3.6 | 3.6 | 3.2 |
| 2023 | 3.7 | 3.7 | 3.4 | 3.0 | 3.3 | 3.5 | 3.5 | 3.8 | 3.2 | 3.4 | 3.4 | 3.2 |
| 2024 | 3.6 | 3.6 | 3.5 | 3.0 | 3.4 | 3.8 | 3.9 | 3.8 | 3.1 | 3.3 | 3.4 | 3.2 |
| 2025 | 3.8 | 3.5 | 3.5 | 3.2 | 3.5 | 3.8 | 3.6 | 3.9 | 4.2 | n/a ² | 4.1 | 3.3 ³ |

¹ Onset of the COVID-19 Pandemic.

² Due to Federal shutdown, October 2025 unemployment was not calculated.

³ Most recent numbers available.

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

GOVERNMENT AND MAJOR SERVICES

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

Education. There are two school administrative units in the County: Rowan-Salisbury Schools and Kannapolis City Schools. The Rowan-Salisbury Board of Education is made up of an elected, non-partisan, seven-member board as the policy making authority of Rowan-Salisbury Schools. This will be changed to a partisan board on December 1, 2026. The Kannapolis City Board of Education is comprised of one member from the portion of the Kannapolis City Schools district located in the County and four members from the Cabarrus County section of the school district since the Kannapolis City Schools district includes areas in both counties. Board members of the Kannapolis City Board of Education service four-year staggered terms.

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

Rowan-Salisbury Schools

| <u>School Year</u> | <u>Grades K-5</u> | | <u>Grades 6-8</u> | | <u>Grades 9-12</u> | |
|--------------------|-------------------|------------|-------------------|------------|--------------------|------------|
| | <u>Number</u> | <u>ADM</u> | <u>Number</u> | <u>ADM</u> | <u>Number</u> | <u>ADM</u> |
| 2021-22 | 20 | 7,881 | 7 | 4,568 | 8 | 5,953 |
| 2022-23 | 20 | 8,017 | 7 | 4,124 | 8 | 6,255 |
| 2023-24 | 20 | 8,037 | 7 | 3,898 | 8 | 6,245 |
| 2024-25 | 20 | 7,869 | 7 | 3,887 | 8 | 5,835 |
| 2025-26 | 20 | 7,935 | 7 | 3,844 | 8 | 5,735 |

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

Kannapolis City Schools

| <u>School Year</u> | <u>Grades K-5</u> | | <u>Grades 6-8</u> | | <u>Grades 9-12</u> | |
|--------------------|-------------------|------------|-------------------|------------|--------------------|------------|
| | <u>Number</u> | <u>ADM</u> | <u>Number</u> | <u>ADM</u> | <u>Number</u> | <u>ADM</u> |
| 2021-22 | 6 | 2,404 | 1 | 1,310 | 1 | 1,628 |
| 2022-23 | 6 | 2,411 | 1 | 1,234 | 1 | 1,723 |
| 2023-24 | 6 | 2,415 | 1 | 1,174 | 1 | 1,757 |
| 2024-25 | 6 | 2,470 | 1 | 1,139 | 1 | 1,753 |
| 2025-26 | 6 | 2,387 | 1 | 1,136 | 1 | 1,685 |

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

For the Fiscal Year ending June 30, 2026, the County appropriated \$48,682,981 and \$3,375,442 to Rowan-Salisbury Schools and Kannapolis City Schools, respectively. The distribution of County appropriations is based on ADM of each school system.

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

The County is home to four colleges: Catawba College, Livingstone College, Hood Theological Seminary, and Rowan – Cabarrus Community College. Catawba College continues to be ranked among the top 10 best regional colleges in the South by U.S. News & World Report. Catawba College is ranked fifth, and this is the eighth consecutive year that Catawba College has received a top 10 ranking.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College (“RCCC”) and Cabarrus County, participates in a joint venture to operate RCCC. RCCC has total enrollment of over 23,000 students and offers associate degree programs in more than 40 areas of study. The County has the statutory responsibility to provide funding for the facilities of RCCC and separately provides some financial support for RCCC’s operations. In addition to providing annual appropriations for facilities, the County periodically issues debt to provide financing for new and restructured facilities. The amount of outstanding debt issued for this purpose was \$2,475,000 at June 30, 2024. The County contributed \$300,000 and \$3,178,636 to RCCC for capital and operating purposes, respectively, during the Fiscal Year ended June 30, 2024, and the County contributed \$300,000 (unaudited) and \$3,478,636 (unaudited) to RCCC for capital and operating purposes, respectively, during the Fiscal Year ended June 30, 2025.

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

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

Mid-Carolina Regional Airport, located three miles southwest of the central business district in Salisbury, is a general aviation airport offering a variety of aircraft services including business and recreational aviation and a 5,500-foot night-lighted runway. Many aircraft based there are corporate carriers

for local industries. The following airports are within one-hour driving distance: Charlotte Douglas International Airport in Charlotte, and the Piedmont Triad International Airport in Greensboro.

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

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

Human Services. The County provides health, mental health, senior services, veteran services and other human services. The County appropriated \$33,732,922 and \$35,391,637 to these services in the Fiscal Years ended June 30, 2024, and June 30, 2025, respectively. The County's Health Department provides many specialized clinical services in the areas of dental health, women's health, maternal health, child health, adult health and communicable diseases. It also performs sanitary inspections for environmental health protection.

Hospital and Medical Facilities. Novant Health Rowan Medical Center, formerly Rowan Regional Medical Center, located in Salisbury, is a 268-bed not-for-profit medical center and the fourth largest hospital in the Novant Health system. In 2017, Rowan Medical Center became the first facility of Novant Health to have a mobile coach outfitted with 3-D mammography. The Novant Health Wallace Cancer Institute, a state-of-the art comprehensive cancer treatment center, opened its doors in 2020, providing County residents with life-giving care close to home. Services range from alcohol and drug treatment to cardiology, cancer care, emergency medicine, orthopedics, neurosurgery, rehabilitation and women's health services.

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

Other Services. The County Department of Emergency Services is comprised of the Emergency Medical Service ("EMS"), Fire Marshal and Emergency Management divisions. In addition, the Department of Emergency Services coordinates emergency activities with the County's Enhanced 9-1-1 Telecommunications Center, the Rowan County Rescue Squad and other agencies providing emergency services within the County. The County appropriated \$23,106,211 and \$13,921,424 for services provided by these divisions for the Fiscal Years ended June 30, 2024 and June 30, 2025, respectively.

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

Water and Sewer Infrastructure. Salisbury-Rowan Utilities (“SRU”) is the County’s primary water service provider, currently serving all municipalities in the County except Cleveland, Faith, Kannapolis and Landis. Maximum daily permitted capacity is 24 million gallons per day (“MGD”) with an average demand of approximately 9 MGD, and a peak day of approximately 13 MGD. Current available surplus water treatment capacity equals 11 MGD. The Yadkin River provides SRU with its raw water supply, with an average daily flow of roughly 2 billion gallons per day. SRU is also the County’s primary sanitary sewer service provider, currently serving all municipalities except Cleveland and Kannapolis. SRU has two wastewater treatment facilities with a total permitted capacity of 12.5 MGD. Average daily volume of wastewater treated is approximately 7.4 MGD, leaving an excess capacity of 5.1 MGD.

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur general obligation debt in the approximate amount of \$1,613,919,406 as of June 30, 2025. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see *Appendix F*.

Outstanding General Obligation Debt.

| General Obligation Bonds | <u>June 30,</u> | | | |
|--------------------------|-----------------|-------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| Community College | \$4,130,000 | \$3,300,000 | \$2,475,000 | \$1,650,000 |

General Obligation Debt Ratios.

| <u>At July 1</u> | <u>Total GO Debt</u> | <u>Assessed Valuation</u> | <u>Total GO Debt to Assessed Valuation</u> | <u>Population¹</u> | <u>Total GO Debt Per Capita</u> |
|------------------------------------|----------------------|---------------------------|--|-------------------------------|---------------------------------|
| 2021 | \$4,960,000 | \$14,091,944,639 | 0.04% | 148,300 | \$ 33.45 |
| 2022 | 4,130,000 | 14,266,159,392 | 0.03 | 150,538 | 27.43 |
| 2023 | 3,300,000 | 14,775,939,772 | 0.02 | 152,565 | 21.63 |
| 2024 | 2,475,000 | 20,077,569,138 | 0.01 | 154,239 | 16.05 |
| 2025 | 1,650,000 | 20,757,117,586 | 0.01 | 154,239 ² | 10.70 |
| After Bonds now offered are issued | \$41,970,000* | \$20,757,117,586 | 0.02%* | 154,239 ² | \$272.11* |

*Preliminary, subject to change.

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

² For purposes of this table, the 2024 population is used.

General Obligation Debt Service Requirements.

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|--------------------|-----------------|--------------------|
| 2026 | \$825,000 | \$37,125 | \$862,125 |
| 2027 | <u>825,000</u> | <u>12,375</u> | <u>837,375</u> |
| Total | <u>\$1,650,000</u> | <u>\$49,500</u> | <u>\$1,699,500</u> |

General Obligation Bonds Authorized and Unissued.

| <u>Purpose</u> | <u>Date Approved</u> | <u>Authorized and Unissued</u> | <u>Bonds Now Issued</u> | <u>Balance</u> |
|-------------------|----------------------|--------------------------------|-------------------------|----------------|
| Community College | March 3, 2020 | \$45,000,000 | \$40,320,000* | \$4,680,000 |

* Preliminary; subject to change.

General Obligation Debt Information for Underlying Units as of June 30, 2025.

| <u>Unit</u> | <u>2024 Population¹</u> | <u>Assessed Valuation²</u> | <u>Tax Rate Per \$100</u> | <u>Total GO Debt³</u> | <u>Total GO Debt Per Capita</u> |
|--------------|------------------------------------|---------------------------------------|---------------------------|----------------------------------|---------------------------------|
| East Spencer | 1,672 | \$ 176,852,005 | 0.86 | \$1,290,000 | \$771.53 |
| Faith | 837 | 113,760,034 | 0.41 | 1,114,000 | 1,330.94 |
| Salisbury | 38,202 | 4,525,537,861 | 0.665 | -- | -- |
| Spencer | 3,420 | 392,311,318 | 0.605 | -- | -- |

¹ Estimates of North Carolina Office of State Budget and Management as of July 1, 2024.

² Assessed valuation for underlying units is as of June 30, 2024.

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

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Other Long-Term Commitments. At July 1, 2025, the County had \$63,904,203 in principal amount of non-general obligation long-term debt. A table showing the amount of principal and interest required to be paid under “**TOTAL ANNUAL DEBT SERVICE REQUIREMENTS**” in the Official Statement. The County’s combined non-general obligation long-term debt commitments are shown below.

| Fiscal Year | Governmental Activities¹ | Business-Type Activities² | Aggregate |
|--------------------|--|---|----------------------------------|
| | <u>Principal & Interest</u> | <u>Principal & Interest</u> | <u>Total Debt Service</u> |
| 2026 | \$15,836,230 | \$ 1,836,665 | \$17,672,895 |
| 2027 | 15,313,772 | 1,554,684 | 16,868,456 |
| 2028 | 14,272,678 | 1,554,101 | 15,826,779 |
| 2029 | 12,322,619 | 1,554,674 | 13,877,292 |
| 2030 | 9,984,029 | 1,554,272 | 11,538,301 |
| 2031 | 7,948,961 | 1,553,850 | 9,502,811 |
| 2032 | 7,712,131 | 1,554,321 | 9,266,452 |
| 2033 | 7,475,301 | 1,554,553 | 9,029,854 |
| 2034 | 7,237,471 | 1,554,183 | 8,791,654 |
| 2035 | 6,995,677 | 1,554,087 | 8,549,763 |
| 2036 | 6,759,133 | 1,554,289 | 8,313,422 |
| 2037 | 6,522,588 | 1,554,718 | 8,077,306 |
| 2038 | 6,281,044 | <u>1,554,300</u> | 7,835,344 |
| 2039 | 4,172,400 | | 4,172,400 |
| 2040 | 4,037,800 | | 4,037,800 |
| 2041 | 3,903,200 | | 3,903,200 |
| 2042 | 3,768,600 | | 3,768,600 |
| 2043 | 3,634,000 | | 3,634,000 |
| 2044 | <u>3,494,400</u> | | <u>3,494,400</u> |
| Total | <u>\$147,672,034</u> | <u>\$20,488,695</u> | <u>\$168,160,729</u> |

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

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

Note: Totals may not foot due to rounding.

Debt Outlook. The County does not currently expect to issue any debt in the upcoming years.

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TAX INFORMATION

General Information.

| | Fiscal Year | | | | |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
| Assessed Valuation: | | | | | |
| Assessment Ratio ¹ | 100% | 100% | 100% | 100% | 100% |
| Real Property | \$10,346,424,501 | \$10,484,368,093 | \$10,664,582,398 | \$15,600,332,129 | \$16,062,273,112 |
| Personal Property | 2,930,188,930 | 2,943,812,382 | 3,230,412,667 | 3,287,528,061 | 3,708,025,344 |
| Public Service Companies ² | <u>815,331,208</u> | <u>837,978,917</u> | <u>880,944,707</u> | <u>940,221,160</u> | <u>986,819,130</u> |
| Total Assessed Valuation | <u>\$14,091,944,639</u> | <u>\$14,266,159,392</u> | <u>\$14,775,939,772</u> | <u>\$19,828,081,350</u> | <u>\$20,757,117,586</u> |
| Rate per \$100 | 0.6575 | 0.6575 | 0.6575 | 0.58 | 0.58 |
| Levy | \$ 92,767,356 | \$ 93,903,665 | \$ 97,260,855 | \$ 116,577,668 | \$ 120,551,053 |

¹ Percentage of appraised value has been established by statute.

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

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

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

| <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$6,843,785 | \$7,477,089 | \$8,026,137 | \$10,727,572 | \$11,310,932 |

Tax Collections.

| <u>Fiscal Year</u> | <u>Current Year's Levy Collected</u> | <u>Percentage of Current Year's Levy Collected</u> |
|---------------------------|---|---|
| 2020 | \$ 88,286,427 | 97.39% |
| 2021 | 90,904,737 | 97.99 |
| 2022 | 92,123,977 | 98.10 |
| 2023 | 95,629,931 | 98.32 |
| 2024 | 114,942,525 | 98.60 |
| 2025 | 118,669,935 | 98.44 |

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Ten Largest Taxpayers for the Fiscal Year Ended June 30, 2025.

| <u>Name</u> | <u>Type of Business</u> | <u>2025 Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|--|-------------------------|--------------------------------|---|
| Duke Energy Corporation | Utilities | \$687,220,713 | 3.33% |
| Southern Power (Rowan County Power, LLC) | Utilities | 227,369,792 | 1.10 |
| SL China Grove/Macy's | Retail | 170,282,549 | 0.83 |
| Delhaize America Distribution/Food Lion | Food Service | 165,131,412 | 0.80 |
| Daimler Trucks North America | Vehicle Manufacturing | 164,670,801 | 0.80 |
| Gildan Yarns, LLC | Manufacturing | 86,075,228 | 0.42 |
| Teijin Automotive Technologies | Manufacturing | 83,682,814 | 0.41 |
| Chewy Inc. | Pet Food Retail | 63,707,760 | 0.31 |
| Piedmont Natural Gas Co. Inc. | Utilities | 63,650,542 | 0.31 |
| Gränges Americas Inc. | Manufacturing | <u>56,847,524</u> | <u>0.28</u> |
| Total | | <u>\$1,768,639,135</u> | <u>8.57%</u> |

2025-26 BUDGET OUTLOOK

The Board adopted an original budget ordinance for all funds of \$259,093,375 for the Fiscal Year ending June 30, 2026. The adopted General Fund budget totaled \$216,350,623. The appropriated fund balance in the General Fund was budgeted at \$11,527,163. The budget for the Fiscal Year ended June 30, 2026 was based on an overall increase in the tax base of 5.47% from the Fiscal Year ended June 30, 2025 with an estimated valuation of \$21,225,000,000. The County's tax rate remained the same at \$0.58 per \$100 of assessed valuation. The budget for the Fiscal Year ended June 30, 2026 left sales tax revenues flat to the Fiscal Year 2025 budget, with a total revenue estimate at \$40,000,000.

PENSION PLANS

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

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

LGERS provides, on a uniform LGERS-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The contribution rate for the County was 13.60% of eligible payroll for general employees and 15.10% of eligible payroll for law enforcement officers for the fiscal year ended June 30, 2024. The employer contribution rate for fiscal year ending June 30, 2026 is 14.35% for general employees and 16.10% for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins LGERS.

Members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or any age with 30 years of creditable service. Members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service

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

Contributions to LGERS are determined on an actuarial basis.

Financial statements and required supplementary information for LGERS are included in the Annual Comprehensive Financial Report (“ACFR”) for the State. Please refer to the State’s ACFR for additional information.

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

OTHER POST-EMPLOYMENT BENEFITS

Under the terms of a County resolution adopted on December 1, 2002, the County administers a single-employer defined benefit Healthcare Benefits Plan (the “HCB Plan”) to retirees of the County who (a) qualify for unreduced retirement benefits from LGERS, (b) have at least 20 consecutive years of creditable service with the County, (c) are at least 55 years of age at the time of retirement, and (d) are not eligible for Medicare coverage through the Social Security Administration. On January 21, 2012, the HCB Plan was amended to exclude the participation of employees hired after the amendment date. Retirees who qualify for coverage receive the same benefits as active employees. The County pays the full cost of coverage for benefits of eligible retirees, and the County’s eligible retirees can purchase coverage for their dependents at the County’s group rates. The County Board of Commissioners may amend the benefits provisions. As of June 30, 2025, there were 216 HCB Plan members receiving benefit payments. The County’s total other post-employment benefit liability was \$36,512,616 measured as of June 30, 2024, and was determined by actuarial valuation as of June 30, 2024.

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

CYBERSECURITY

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

Cybersecurity incidents could result from unintentional events or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County’s Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the County invests in multiple forms of cybersecurity and operational safeguards.

While the County's cybersecurity and operational safeguards are periodically tested, no assurances can be given by the County that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could cause material disruption to the County's finances or operations. The costs of remedying any such damage or obtaining insurance related thereto or protecting against future attacks could be substantial and insurance may not be adequate to cover such losses or other consequential County costs and expenses. Further, cybersecurity breaches could expose the County to material litigation and other legal risks, which could cause the County to incur material costs related to such legal claims or proceedings.

CLIMATE RELATED RISKS

The County is susceptible to the effects of extreme weather events and natural disasters, including floods, droughts and hurricanes and has experienced multiple severe weather events within the past several years. These effects may be amplified by a prolonged global temperature increase over the next several decades (commonly referred to as "climate change"). No assurances can be given that a future extreme weather event driven by climate change will not adversely affect the County.

CONTINGENT LIABILITIES

The County does not have any litigation pending or other contingent liability which would materially and adversely affect the County's ability to meet its financial obligations.

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

The Local Government Commission (the “Commission”) is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

A major function of the Commission is the approval, sale, and delivery of substantially all North Carolina local government bonds and notes. A second key function is monitoring certain fiscal and accounting standards prescribed for units of local government by The Local Government Budget and Fiscal Control Act. In addition, the Commission furnishes, upon request, on-site assistance to units of local government concerning existing financial and accounting systems as well as aid in establishing new systems. Further, educational programs and materials are provided for local officials concerning finance and cash management.

Before any unit of local government can incur bonded indebtedness, the proposed bond issue must be approved by the Commission. In determining whether to give such approval the Commission may consider, among other things, the unit’s debt management procedures and policies, its compliance with The Local Government Budget and Fiscal Control Act, and its ability to service the proposed debt. All general obligation issues are customarily sold based on formal sealed bids submitted at the Commission’s offices in Raleigh and are subsequently delivered to the successful bidder by the Commission. The Commission maintains records for all units of local government of principal and interest payments coming due on bonded indebtedness in the current and future years and monitors the payment by the units of local government of debt service through a system of monthly reports.

As a part of its role in assisting and monitoring the fiscal programs of units of local government, the Commission attempts to ensure that the units of local government follow generally accepted accounting principles, systems, and practices. The Commission’s staff also counsels the units of local government in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the Commission to accomplish these tasks. The monitoring of the financial systems of units of local government is accomplished through the examination and analysis of the annual audited financial statements and other required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his or her approval before the commencement of the audit.

The Commission has the statutory authority to impound the books and records of any unit of local government and assume full control of all its financial affairs (a) when the unit defaults on any debt service payment or, in the opinion of the Commission, will default on a future debt service payment if the financial policies and practices of the unit are not improved or (b) when the unit persists, after notice and warning from the Commission, in willfully or negligently failing or refusing to comply with the provisions of The Local Government Finance Act. When the Commission takes action under this authority, the Commission is vested with all of the powers of the governing board of the unit of local government as to the levy of taxes, expenditure of money, adoption of budgets, and all other financial powers conferred upon such governing board by law.

In addition, if a unit of local government fails to pay any installment of principal or interest on its outstanding debt on or before its due date and remains in default for 90 days, the Commission may take such action as it deems advisable to investigate the unit's fiscal affairs, consult with its governing board and negotiate with its creditors to assist the unit in working out a refinancing plan, adjusting or compromising such debt. When a plan is developed that the Commission finds to be fair and equitable and reasonably within the ability of the unit of local government to meet, the Commission will enter an order finding that the plan is fair, equitable, and within the ability of the unit to meet and will advise the unit to take the necessary steps to implement such plan. If the governing board of the unit declines or refuses to do so within 90 days after receiving the Commission's advice, the Commission may enter an order directing the unit to implement such a plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the Commission has the authority (a) to require any periodic financial reports on the unit's financial affairs that the Secretary of the Commission deems necessary and (b) to approve or reject the unit's annual budget ordinance. The governing board of the unit of local government must also obtain the approval of the Secretary of the Commission before adopting any annual budget ordinance. The power and authority granted to the Commission as described in this paragraph will continue regarding a defaulting unit of local government until the Commission is satisfied that the unit has performed or will perform the duties required of it in the refinancing plan and until agreements made with the unit's creditors have been performed with following such plan.

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the County, lifted from the Annual Comprehensive Financial Report for Rowan County for the fiscal year ended June 30, 2025. Management's Discussion and Analysis provides an objective and easily readable short and long-term analysis of the County's financial activities based on currently known facts, decisions, or conditions. Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. The independent auditors of the County have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, they did not audit this information and did not express an opinion on it.

ROWAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rowan County, North Carolina (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2025. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

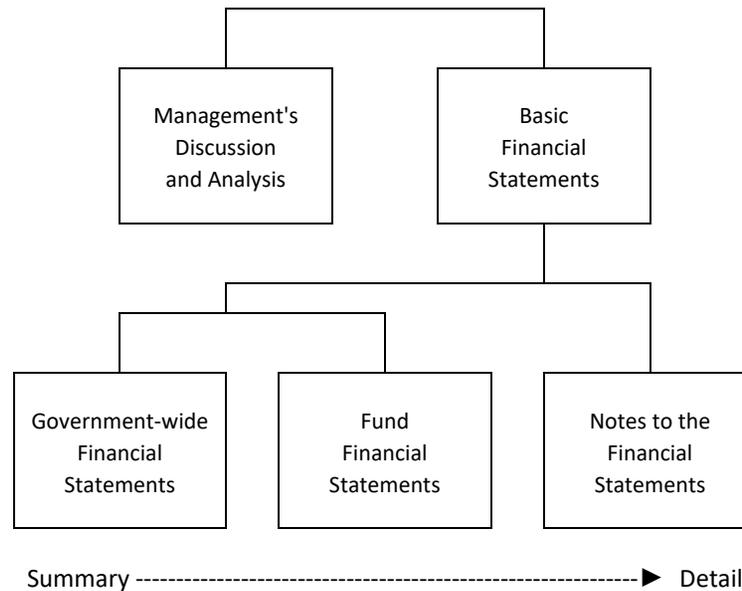
- On the government-wide Statement of Net Position, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$265.5 million (*net position*). The County's net position is impacted considerably by the debt the County has issued on behalf of the School Systems and Community College to fund school capital outlay. Under North Carolina law, the County is responsible for providing capital funding for schools. The County has chosen to meet its legal obligation by issuing general obligation, limited obligation and installment purchase debt. The capital assets are funded by the County; however, they are titled to and utilized by the School Systems and Community College. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, the outstanding balance of school-related debt was \$89.4 million.
- The County's total net position increased by \$16.1 million, due to an increase in business-type activities of \$4.8 million and an increase in governmental activities of \$11.3 million.
- As of the close of the 2025 fiscal year, the County's governmental funds reported combined ending fund balances of \$248.6 million. Approximately 31.9 percent of this total amount, or \$79.4 million, is nonspendable or restricted.
- At the end of the 2025 fiscal year, total fund balance, available fund balance and unassigned fund balance for the General Fund were \$178 million, \$152 million and \$117.4 million, respectively. These fund balance amounts represent 87.1 percent, 74.4 percent, and 57.4 percent of General Fund expenditures and transfers out, respectively.
- The County's general obligation, limited obligation, installment financing, and other debt increased by \$63.6 million, or 41.5 percent, during the 2025 fiscal year, due to the issuance of limited obligation bonds.
- The County maintained its AA+ bond rating from Fitch Ratings for the seventh consecutive year; its Aa2 bond rating from Moody's Investors Service for the thirteenth consecutive year; and in January 2024, Standard and Poor's Corporation upgraded the County's bond rating to AA. These bond ratings are clear indications of the sound financial condition of the County.
- The Airport and Landfill Funds' net position increased by \$3.8 million and \$0.6 million, respectively, and the Water Fund's net position increased by \$0.5 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the County.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

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

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

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. Governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a current financial resources focus. The relationship between government activities (reported in the *Statement of Net Position* and the *statement of activities*) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

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

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

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

The final section of the basic financial statements is the **Notes to the Financial Statements**. The notes are essential to a full understanding of the data provided in the government-wide and fund financial statements because they explain in detail some of the data contained in those statements. The notes to the financial statements can be found on pages 37 through 101 of this report.

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

Government-wide Financial Analysis

Rowan County's Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|---------------------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| Assets: | | | | | | |
| Current and other assets | \$ 301,800,353 | \$ 234,057,001 | \$ 54,508,822 | \$ 58,419,257 | \$ 356,309,175 | \$ 292,476,258 |
| Capital assets | 107,294,589 | 102,152,394 | 42,651,062 | 34,827,765 | 149,945,651 | 136,980,159 |
| Total assets | <u>409,094,942</u> | <u>336,209,395</u> | <u>97,159,884</u> | <u>93,247,022</u> | <u>506,254,826</u> | <u>429,456,417</u> |
| Deferred Outflows of Resources | <u>19,806,109</u> | <u>23,110,967</u> | <u>854,654</u> | <u>990,752</u> | <u>20,660,763</u> | <u>24,101,719</u> |
| Liabilities: | | | | | | |
| Long-term liabilities outstanding | 179,579,779 | 116,028,596 | 37,494,981 | 37,390,126 | 217,074,760 | 153,418,722 |
| Other liabilities | <u>29,379,812</u> | <u>31,499,628</u> | <u>11,927,507</u> | <u>12,880,692</u> | <u>41,307,319</u> | <u>44,380,320</u> |
| Total liabilities | <u>208,959,591</u> | <u>147,528,224</u> | <u>49,422,488</u> | <u>50,270,818</u> | <u>258,382,079</u> | <u>197,799,042</u> |
| Deferred Inflows of Resources | <u>2,830,791</u> | <u>2,870,155</u> | <u>154,135</u> | <u>214,192</u> | <u>2,984,926</u> | <u>3,084,347</u> |
| Net Position: | | | | | | |
| Net investment in capital assets | 73,775,118 | 65,474,203 | 37,557,274 | 34,609,936 | 111,332,392 | 100,084,139 |
| Restricted | 41,808,921 | 37,609,402 | - | - | 41,808,921 | 37,609,402 |
| Unrestricted | <u>101,526,630</u> | <u>105,838,378</u> | <u>10,880,641</u> | <u>9,142,828</u> | <u>112,407,271</u> | <u>114,981,206</u> |
| Total net position | <u>\$ 217,110,669</u> | <u>\$ 208,921,983</u> | <u>\$ 48,437,915</u> | <u>\$ 43,752,764</u> | <u>\$ 265,548,584</u> | <u>\$ 252,674,747</u> |

The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$265.5 million as of June 30, 2025, with an increase in net position of \$16.1 million for the fiscal year. Net position is reported in three categories: net investment in capital assets, restricted and unrestricted.

The County's first category of net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt still outstanding that was issued to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The amount reported as net investment in capital assets increased from \$100.1 million in the prior year to \$111.3 million at June 30, 2025.

The second reported category of net position is restricted net position. This category represents resources that are subject to specific external legal restrictions that limit the County's ability to access and use these funds beyond the purpose for which they were provided. Restricted net position totaled \$41.8 million at June 30, 2025, a \$4.2 million increase from prior year. The increase is due to the increase in amounts restricted for Stabilization by State Statute and Human Services.

The County's largest portion of net position is reported as unrestricted. The balance is to be used to meet the government's ongoing obligation to citizens and creditors. At June 30, 2025, the County reported unrestricted net position \$112.4 million. This amount is impacted by the portion of the County's outstanding debt incurred for Rowan-Salisbury and Kannapolis City School Systems and Rowan-Cabarrus Community College. Even though the debt was issued to finance school capital outlay, the Governmental Accounting Standards Board has determined that it is not capital debt of the County since it does not finance assets that are owned by the County. At June 30, 2025, \$89.4 million of the outstanding debt on the County's financial statements was related to assets included on the School Systems' and Community College's financial statements. If this debt was not reported as a reduction of net position, the balance of unrestricted net position would be \$201.8 million.

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

- Continued diligence in the collection of property taxes by maintaining a collection percentage above 98 percent
- Continued pursuit of grant opportunities and other external funding
- Continued low cost of debt due to the County's high bond ratings and the prevailing interest rate environment
- Management's proactive stance on monitoring spending across County departments to ensure compliance with the budget

Rowan County's Change in Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 16,141,777 | \$ 12,584,444 | \$ 10,645,489 | \$ 10,087,110 | \$ 26,787,266 | \$ 22,671,554 |
| Operating grants and contributions | 31,186,107 | 29,157,341 | 381,208 | 3,758,932 | 31,567,315 | 32,916,273 |
| Capital grants and contributions | 3,422,753 | 3,201,124 | 2,139,966 | - | 5,562,719 | 3,201,124 |
| General revenues: | | | | | | |
| Property taxes | 131,851,822 | 127,635,107 | - | - | 131,851,822 | 127,635,107 |
| Local option sales tax | 44,502,229 | 41,969,787 | - | - | 44,502,229 | 41,969,787 |
| Other taxes | 3,140,992 | 2,901,046 | - | - | 3,140,992 | 2,901,046 |
| Grants and contributions not restricted to specific programs | 590,774 | 690,783 | - | - | 590,774 | 690,783 |
| Other | 14,006,155 | 10,489,124 | 2,547,328 | 2,471,559 | 16,553,483 | 12,960,683 |
| Total revenues | <u>244,842,609</u> | <u>228,628,756</u> | <u>15,713,991</u> | <u>16,317,601</u> | <u>260,556,600</u> | <u>244,946,357</u> |
| Expenses: | | | | | | |
| General government | 22,363,554 | 18,291,417 | - | - | 22,363,554 | 18,291,417 |
| Public safety | 61,580,727 | 59,795,057 | - | - | 61,580,727 | 59,795,057 |
| Transportation | 2,015,801 | 2,074,892 | - | - | 2,015,801 | 2,074,892 |
| Economic and physical development | 4,370,071 | 5,643,415 | - | - | 4,370,071 | 5,643,415 |
| Human services | 37,381,802 | 35,799,331 | - | - | 37,381,802 | 35,799,331 |
| Cultural and recreational | 8,828,666 | 8,184,439 | - | - | 8,828,666 | 8,184,439 |
| Education | 89,696,151 | 51,906,019 | - | - | 89,696,151 | 51,906,019 |
| Interest on long-term debt | 4,689,206 | 1,900,490 | - | - | 4,689,206 | 1,900,490 |
| Airport | - | - | 3,660,975 | 3,172,461 | 3,660,975 | 3,172,461 |
| Landfill | - | - | 9,357,550 | 8,398,588 | 9,357,550 | 8,398,588 |
| Water | - | - | 462,145 | 533,393 | 462,145 | 533,393 |
| Total expenses | <u>230,925,978</u> | <u>183,595,060</u> | <u>13,480,670</u> | <u>12,104,442</u> | <u>244,406,648</u> | <u>195,699,502</u> |
| Change in net position before transfers | 13,916,631 | 45,033,696 | 2,233,321 | 4,213,159 | 16,149,952 | 49,246,855 |
| Transfers | (2,592,841) | (1,491,366) | 2,592,841 | 1,491,366 | - | - |
| Change in net position | <u>11,323,790</u> | <u>43,542,330</u> | <u>4,826,162</u> | <u>5,704,525</u> | <u>16,149,952</u> | <u>49,246,855</u> |
| Net Position: | | | | | | |
| Beginning of year - July 1 | 208,921,983 | 165,379,653 | 43,752,764 | 38,048,239 | 252,674,747 | 203,427,892 |
| Restatement | (3,135,104) | - | (141,011) | - | (3,276,115) | - |
| Beginning of year - restated | <u>205,786,879</u> | <u>165,379,653</u> | <u>43,611,753</u> | <u>38,048,239</u> | <u>249,398,632</u> | <u>203,427,892</u> |
| End of year - June 30 | <u>\$ 217,110,669</u> | <u>\$ 208,921,983</u> | <u>\$ 48,437,915</u> | <u>\$ 43,752,764</u> | <u>\$ 265,548,584</u> | <u>\$ 252,674,747</u> |

Governmental activities. Governmental activities increased the County's net position by \$11.3 million. As indicated on the previous page, the majority of the County's expenses were related to public safety (\$61.6 million, 26.7 percent), Education (\$89.7 million, 38.8 percent) and human services (\$37.4 million, 16.2 percent). While these expenses increased 27.9% from the prior year due to continued conservative management, the County saw growth in many categories of revenues, most notably in sales tax and interest.

Business-type activities. Business-type activities increased the County's net position by \$4.8 million. Key elements of this increase are as follows:

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

Airport, Landfill, and Water expenses totaled \$3.7 million, \$9.4 million and \$0.5 million for the fiscal year, or 27.2 percent, 69.4 percent and 3.4 percent respectively, of total business-type expenses.

Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the County's fund balance available for appropriation in the General Fund was \$152 million, while total fund balance equaled \$178 million. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. At fiscal year-end, available fund balance represented 74.4 percent of total General Fund expenditures and transfers out, while total fund balance represented 87.1 percent of that same amount. The County has an informal policy that available fund balance should equal or exceed 21.0 percent of General Fund expenditures and transfers out in order to meet the cash flow needs of the County and to react to unforeseen needs or opportunities.

General Fund balance at June 30, 2025 increased by \$23.7 million from the prior year. This increase was primarily due to three factors:

- Local option sales taxes were budgeted conservatively based on economic indicators the actuals remained strong throughout fiscal year 2025 and exceeded budgeted expectations by \$4.5 million (11.3%).
- Operational efficiencies resulted in 27.7% of unspent budgeted expenditures and an increase from fiscal year 2024 of only \$6.4 million (3.5%).
- Investment earnings exceeded budgeted expectations by \$6.3 million primarily due to favorable interest rates.

The ARPA Fund reported revenues from the use of ARPA grant funds of \$4.4 million, of which \$0.6 million was transferred to the General Fund to use as revenue replacement, \$3.5 million was transferred to the West End Capital Project Fund for grant capital expenditures, and \$6 thousand was transferred to the Water Fund for grant expenditures. At June 30, 2025, there was \$6.9 million of ARPA funds remaining to be spent. The West End Plaza Capital Project Fund had a net increase in fund balance of \$4.7 million, mostly due to transfers from other funds of \$11.6 million. The Opioid Settlement Fund realized an increase in fund balance of \$2.2 million as settlement funds were received as scheduled during the year, but only \$0.5 million of the funds were spent. The Public Schools Capital Project Fund had a net increase in fund balance of \$41.7 million, which was due to the issuance of limited obligation bonds of \$67.4 million.

The other governmental funds of the County, comprised of Special Revenue Funds and Capital Projects Funds, reported a combined fund balance of \$3.0 million, an increase of \$0.2 million from the prior year. This increase was primarily due to a transfer from the General Fund to the nonmajor governmental funds in excess of current year expenditures.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Airport, Landfill and Water Funds at the end of the fiscal year amounted to \$3.6 million, \$7.2 million and \$1 million, respectively. The Airport and Landfill Funds experienced an increase in net position of \$3.8 million and \$0.6 million, respectively and the Water Fund experienced an increase of \$0.5 million. Other factors concerning the finances of these Funds have already been addressed in the discussion of the County's business-type activities.

Accounting Change. During fiscal year 2025, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires governments to recognize a liability for certain types of compensated absences when the leave is earned, rather than when it is taken. The application of GASB 101 resulted in a restatement of \$3.1 million for governmental activities and \$0.1 million for business-type activities. As a result, amounts reported in Management's Discussion and Analysis for fiscal year 2025 are not comparable to those reported for fiscal year 2024, which have not been restated in the prior year comparative information. See Note 9 for additional information regarding the impact of this standard on the current year's financial statements.

General Fund Budgetary Highlights

The County revised the budget on several occasions during the 2025 fiscal year. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased budgeted expenditures by \$27.6 million, a 11.7 percent increase. The majority of this increase occurred in 3 areas: public safety, education, and human services. The increase in public safety is due mainly to the purchase public safety vehicles ordered in prior fiscal year carrying forward to fiscal year 2025. In Education, the County allocated the carryforward amount of sales tax to be used for school capital items. Human services increased due to the reserve carryforward in the foster care and other programs.

Actual revenues exceeded the amounts projected in the final budget by \$14.3 million, or 6.9 percent, during the 2025 fiscal year. The revenue overages occurred primarily in local option sales taxes, and investment earnings. Sales tax revenue growth remained strong throughout fiscal year 2025 and exceed expectations. The County budgeted this number conservatively based on market indicators. Investment earnings continued to be very strong for the 2025 fiscal year.

Actual expenditures and transfers out were \$75.3 million, or 26.9 percent, less than appropriations as of June 30, 2025. Unspent program funds within all general fund functions contributed to this favorable variance.

Capital Asset and Debt Administration

Capital Assets. The County's capital assets for its governmental and business-type activities as of June 30, 2025 totaled \$150 million (net of accumulated depreciation/amortization). These assets include land, buildings, other improvements, equipment, vehicles, lease buildings, lease equipment, lease land, subscriptions and construction in progress.

Major capital asset transactions during the year included:

- Received 48 vehicles for Emergency Services, Sheriff's Office, Inspections, Transit, Health Department, DSS , Animal Services, Soil and Water and Environmental Services
- Sheriff's Office purchased Breacher Robot
- Sheriff's Office purchased Security Camera with Solar Trailer
- AG Center roof replacement project completed
- Health Department renovations at Rowan Community Center underway
- Rowan Community Center Agriculture Center and Meeting Hall ongoing
- Playground Dan Nicholas Park has been completed
- Storage Building at Ellis Park has been completed
- Upgrades to Bathrooms in multiple Parks underway
- Woodleaf Park Shelter underway
- Upgrades to the AV equipment in the Board of Commissioners room have been completed
- Facilities A/C Recovery Machine for Garage was purchased
- Facilities 4 Post Lift for Garage was installed
- Construction of new Transit Building has been completed
- Detention Center Security Upgrades underway
- Airport Construction of new storage building is underway
- Airport Construction of new hangar is ongoing
- Localizer Replacement at Airport has been completed
- Generator for Airport Hanger is underway
- Environmental Services Gas Control System underway
- Environmental Services purchased a 730 Dump Truck
- Environmental Services purchased a 30 ft Mower

Rowan County's Capital Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | \$ 12,578,320 | \$ 9,173,866 | \$ 4,477,425 | \$ 4,435,788 | \$ 17,055,745 | \$ 13,609,654 |
| Buildings | 36,101,749 | 32,316,164 | 16,409,787 | 8,910,413 | 52,511,536 | 41,226,577 |
| Other improvements | 7,932,603 | 8,436,781 | 16,606,716 | 18,945,547 | 24,539,319 | 27,382,328 |
| Equipment | 8,640,499 | 10,393,883 | 2,403,357 | 1,880,331 | 11,043,856 | 12,274,214 |
| Land improvements | - | - | 110,190 | 110,190 | 110,190 | 110,190 |
| Vehicles and motorized equipment | 6,608,520 | 5,581,475 | 147,529 | 335,763 | 6,756,049 | 5,917,238 |
| Construction in progress | 33,955,353 | 35,295,133 | 2,368,327 | 73,577 | 36,323,680 | 35,368,710 |
| Lease buildings | 196,432 | 322,002 | - | - | 196,432 | 322,002 |
| Lease equipment | 77,327 | 304,604 | 108,100 | 123,184 | 185,427 | 427,788 |
| Lease land | - | - | 3,446 | 6,890 | 3,446 | 6,890 |
| Subscriptions | 1,203,786 | 328,486 | 16,185 | 6,082 | 1,219,971 | 334,568 |
| Total | \$ 107,294,589 | \$ 102,152,394 | \$ 42,651,062 | \$ 34,827,765 | \$ 149,945,651 | \$ 136,980,159 |

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

Long-term Debt. As of June 30, 2025, the County's general obligation debt, secured by the full faith and credit of the County, totaled \$1.7 million. Limited obligation debt totaled \$69.4 million. Installment financings totaled \$63.9 million. A summary of outstanding debt is shown below.

Rowan County's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| General obligation bonds | \$ 1,655,276 | \$ 2,493,506 | \$ - | \$ - | \$ 1,655,276 | \$ 2,493,506 |
| Limited obligation bonds | 69,400,476 | - | - | - | 69,400,476 | - |
| Installment financing | 47,956,059 | 56,485,307 | 15,948,144 | 17,103,883 | 63,904,203 | 73,589,190 |
| Other | 60,567,968 | 57,049,783 | 21,546,837 | 20,286,243 | 82,114,805 | 77,336,026 |
| Total | \$ 179,579,779 | \$ 116,028,596 | \$ 37,494,981 | \$ 37,390,126 | \$ 217,074,760 | \$ 153,418,722 |

The state of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8.0 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the County is approximately \$1.53 billion.

The County's total long-term debt increased by \$63.7 million, or 41.5 percent, during the 2025 fiscal year. Major debt activity for the year included:

- Retirement of \$0.8 million of general obligation debt issued for school capital needs (including amortization of bond premium)
- Issuance of \$67.4 million of limited obligation bonds for public schools
- Retirement of \$9.7 million of existing installment financing debt
- Increase in the Local Governmental Employees' Retirement System (LGERS) net pension liability of \$0.6 million
- Decrease in the total Other Postemployment Benefit (OPEB) liability of \$0.4

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

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

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the County:

- Rowan County's average wage is currently fourth highest amount counties in the Charlotte metro region and tied for fourteenth amid the State's 100 counties.
- Ad valorem taxes grew by \$3.5 million in fiscal year 2025, based on natural growth.
- New retail, manufacturing and infrastructure projects were announced, under construction or completed during the fiscal year.
- The County is home to a diversified business base. Management believes this diversity will help buffer the negative effects of the economic downturns.

These factors, as well as others, were considered when management prepared the County's budget ordinances for the 2025 fiscal year.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Governmental Activities

The County's approved General Fund budget for fiscal year 2026 totals \$216.4 million, which represents a \$22.5 million, or 9.4 percent, decrease from the original budget adopted for the 2025 fiscal year. Ad valorem taxes and local option sales taxes provide two of the largest funding streams. Ad valorem taxes are budgeted to increase by 19.3 percent, or \$2.3 million, due to growth in the tax base of real property. The property tax rate for fiscal year 2026 remained the same at \$0.58 per \$100 of assessed value. Sales tax revenue is projected to remain flat budgeted at \$40,000,000. General Fund expenditures are budgeted at a decrease due to several one-time capital items that were in the FY25 budget.

At the close of the 2025 fiscal year, the County's General Fund available fund balance was \$177.9 million. The County has appropriated \$11.5 million of this amount into the 2026 fiscal year budget. As the County considers future revenue sources and expenditures, it will weigh the benefit of increasing or decreasing the property tax rate against the cost to citizens and potential businesses.

Business-type Activities

For the 2026 fiscal year, the County has three enterprise funds, the Airport Fund, the Landfill Fund and the Water Fund. It is important to note that enterprise revenues are used only in the operations of the enterprises and are not used to fund general County operations. Fees for services at the Airport Landfill and Water Fund for fiscal year 2026 are substantially the same as fiscal year 2025.

In the Airport function, expenditures are expected to decrease by \$0.3 million, to \$4.2 million, primarily due to reduction in Airport grant projects and transfers from General Fund.

Expenditures in the Landfill function are expected to decrease by \$73,000, to \$9.6 million

The Water Fund's operations for fiscal year 2026 are expected to decrease by \$.63 million to \$0.65 million.

Requests for Information

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

Financial Information

Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2025, 2024 and 2023. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Anna Bumgarner, Finance Director, at Rowan County, 130 West Innes Street, Salisbury, North Carolina 28144 or on the County's website at <https://www.rowancountync.gov/260/Finance>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. The County has received this award for the 21st year. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The County believes that the annual financial report for the year ended June 30, 2025, will continue to meet the requirements under the Certificate of Achievement Program.

The County financial statements present the government-wide financial statements, which are shown on pages D-3 through D-6 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the County's ability to manage and estimate its resources. See pages D-13 through D-15 for the presentation of the County's budgetary statement.

The following financial statements are the basic financial statements of Rowan County and the notes thereto, lifted from the Annual Comprehensive Financial Report of the County for the fiscal year ended June 30, 2025.

BASIC FINANCIAL STATEMENTS

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2025

EXHIBIT 1

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|--------------------|---|
| | Governmental Activities | Business-type Activities | Total | Rowan County Tourism Development Authority |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 206,728,131 | \$ 32,611,131 | \$ 239,339,262 | \$ 364,903 |
| Receivables (net) | 8,773,619 | 963,303 | 9,736,922 | - |
| Lease receivable | 638,593 | 113,107 | 751,700 | - |
| Due from other governments | 16,469,049 | 257,652 | 16,726,701 | - |
| Due from primary government | - | - | - | 282,716 |
| Prepaid | 30,121 | 3,190 | 33,311 | 1,360 |
| Inventories | 65,648 | 46,044 | 111,692 | - |
| Internal balances | 970,745 | (970,745) | - | - |
| Restricted cash and cash equivalents | 53,914,250 | 21,485,140 | 75,399,390 | - |
| Long-term accounts receivable, net | 14,042,627 | - | 14,042,627 | - |
| Net pension asset | 167,570 | - | 167,570 | - |
| Capital assets: | | | | |
| Land and construction in progress | 46,533,673 | 6,955,942 | 53,489,615 | - |
| Other capital assets (net of depreciation) | 59,283,371 | 35,695,120 | 94,978,491 | 3,034,492 |
| Right-to-use assets (net of amortization) | 1,477,545 | - | 1,477,545 | - |
| Total capital assets, net | <u>107,294,589</u> | <u>42,651,062</u> | <u>149,945,651</u> | <u>3,034,492</u> |
| Total assets | <u>409,094,942</u> | <u>97,159,884</u> | <u>506,254,826</u> | <u>3,683,471</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>19,806,109</u> | <u>854,654</u> | <u>20,660,763</u> | <u>48,396</u> |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2025

EXHIBIT 1 (Continued)

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------|---|
| | Governmental Activities | Business-type Activities | Total | Rowan County Tourism Development Authority |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 17,634,590 | 2,599,826 | 20,234,416 | 29,234 |
| Unearned revenue | 125,871 | - | 125,871 | - |
| Advance from grantor | 7,523,515 | 9,327,681 | 16,851,196 | - |
| Accrued interest payable | 2,329,206 | - | 2,329,206 | - |
| Contract retainage | 1,483,914 | - | 1,483,914 | - |
| Due to component unit | 282,716 | - | 282,716 | - |
| Long-term liabilities: | | | | |
| Due within one year | 16,049,310 | 1,324,057 | 17,373,367 | - |
| Due in more than one year | 163,530,469 | 36,170,924 | 199,701,393 | 83,729 |
| Total liabilities | 208,959,591 | 49,422,488 | 258,382,079 | 112,963 |
| DEFERRED INFLOWS OF RESOURCES | 2,830,791 | 154,135 | 2,984,926 | 1,356 |
| NET POSITION | | | | |
| Net investment in capital assets | 73,775,118 | 37,557,274 | 111,332,392 | 3,034,492 |
| Restricted: | | | | |
| Stabilization by state statute | 25,862,936 | - | 25,862,936 | 282,716 |
| Education | 5,658,173 | - | 5,658,173 | - |
| Public safety | 1,926,741 | - | 1,926,741 | - |
| Register of Deeds' pension plan | 167,570 | - | 167,570 | - |
| Human services | 8,193,501 | - | 8,193,501 | - |
| Unrestricted (deficit) | 101,526,630 | 10,880,641 | 112,407,271 | 300,340 |
| Total net position | \$ 217,110,669 | \$ 48,437,915 | \$ 265,548,584 | \$ 3,617,548 |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

EXHIBIT 2

| Functions / Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Rowan County Tourism Development Authority |
|--------------------------------------|-----------------------|-------------------------|--|--|---|-----------------------------|----------------------|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 22,363,554 | \$ 2,221,625 | \$ 5,321,894 | \$ - | \$ (14,820,035) | \$ - | \$ (14,820,035) | |
| Public safety | 61,580,727 | 11,203,895 | 1,960,935 | 462,904 | (47,952,993) | - | (47,952,993) | |
| Transportation | 2,015,801 | 447,654 | 798,364 | 452,643 | (317,140) | - | (317,140) | |
| Economic and physical development | 4,370,071 | 117,680 | 42,849 | - | (4,209,542) | - | (4,209,542) | |
| Human services | 37,381,802 | 1,001,601 | 22,708,109 | - | (13,672,092) | - | (13,672,092) | |
| Culture and recreation | 8,828,666 | 1,149,322 | 353,956 | - | (7,325,388) | - | (7,325,388) | |
| Education | 89,696,151 | - | - | 2,507,206 | (87,188,945) | - | (87,188,945) | |
| Interest on long-term debt | 4,689,206 | - | - | - | (4,689,206) | - | (4,689,206) | |
| Total governmental activities | <u>230,925,978</u> | <u>16,141,777</u> | <u>31,186,107</u> | <u>3,422,753</u> | <u>(180,175,341)</u> | <u>-</u> | <u>(180,175,341)</u> | |
| Business-type activities: | | | | | | | | |
| Airport | 3,660,975 | 1,703,452 | - | 2,139,966 | - | 182,443 | 182,443 | |
| Landfill | 9,357,550 | 8,680,227 | 381,208 | - | - | (296,115) | (296,115) | |
| Water | 462,145 | 261,810 | - | - | - | (200,335) | (200,335) | |
| Total business-type activities | <u>13,480,670</u> | <u>10,645,489</u> | <u>381,208</u> | <u>2,139,966</u> | <u>-</u> | <u>(314,007)</u> | <u>(314,007)</u> | |
| Total primary government | <u>\$ 244,406,648</u> | <u>\$ 26,787,266</u> | <u>\$ 31,567,315</u> | <u>\$ 5,562,719</u> | <u>(180,175,341)</u> | <u>(314,007)</u> | <u>(180,489,348)</u> | |
| Component unit: | | | | | | | | |
| Rowan County Tourism | | | | | | | | |
| Development Authority | <u>\$ 1,983,577</u> | <u>\$ 385,656</u> | <u>\$ -</u> | <u>\$ 500,000</u> | | | | <u>\$ (1,097,921)</u> |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

EXHIBIT 2 (Continued)

| | Net (Expense) Revenue and Changes in Net Position | | | Component Unit Rowan County Tourism Development Authority |
|--|---|-----------------------------|-----------------------|---|
| | Primary Government | | Total | |
| | Governmental Activities | Business-type Activities | | |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purpose | \$ 131,851,822 | \$ - | \$ 131,851,822 | \$ - |
| Local option sales taxes | 44,502,229 | - | 44,502,229 | - |
| Other taxes and licenses | 3,140,992 | - | 3,140,992 | 1,558,256 |
| Grants and contributions not restricted to specific programs | 590,774 | - | 590,774 | - |
| Investment earnings, unrestricted | 12,648,050 | 2,347,806 | 14,995,856 | - |
| Miscellaneous, unrestricted | 1,358,105 | 199,522 | 1,557,627 | 16,893 |
| Total general revenues, excluding transfers | <u>194,091,972</u> | <u>2,547,328</u> | <u>196,639,300</u> | <u>1,575,149</u> |
| Transfers | (2,592,841) | 2,592,841 | - | - |
| Total general revenues and transfers | <u>191,499,131</u> | <u>5,140,169</u> | <u>196,639,300</u> | <u>1,575,149</u> |
| Change in net position | <u>11,323,790</u> | <u>4,826,162</u> | <u>16,149,952</u> | <u>477,228</u> |
| Net position: | | | | |
| Beginning of year, July 1 | 208,921,983 | 43,752,764 | 252,674,747 | 3,140,320 |
| Restatement | (3,135,104) | (141,011) | (3,276,115) | - |
| Beginning of year, restated | <u>205,786,879</u> | <u>43,611,753</u> | <u>249,398,632</u> | <u>3,140,320</u> |
| Net position, end of year, June 30 | <u>\$ 217,110,669</u> | <u>\$ 48,437,915</u> | <u>\$ 265,548,584</u> | <u>\$ 3,617,548</u> |

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

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

EXHIBIT 3

| | Major | | | | Nonmajor | | Total Governmental Funds |
|---|-----------------------|---------------------|------------------------------|---|---|--------------------------------|--------------------------------|
| | General Fund | ARPA Fund | Opioid Settlement Fund | West End Plaza Capital Project Fund | Public Schools Capital Project Fund | Other Governmental Funds | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 168,456,422 | \$ 1,597,655 | \$ - | \$ 16,133,109 | \$ 11,727,676 | \$ 3,982,155 | \$ 201,897,017 |
| Restricted cash | 1,251,315 | 6,934,086 | 7,935,339 | - | 37,774,355 | 19,155 | 53,914,250 |
| Receivables (net) | 6,476,788 | - | 15,847,772 | - | - | 481,686 | 22,806,246 |
| Due from other governments | 16,465,646 | - | - | - | - | 3,403 | 16,469,049 |
| Inventories | 65,648 | - | - | - | - | - | 65,648 |
| Lease receivable | 638,593 | - | - | - | - | - | 638,593 |
| Prepays | 25,245 | - | - | - | 438 | - | 25,683 |
| Total assets | <u>\$ 193,379,657</u> | <u>\$ 8,531,741</u> | <u>\$ 23,783,111</u> | <u>\$ 16,133,109</u> | <u>\$ 49,502,469</u> | <u>\$ 4,486,399</u> | <u>\$ 295,816,486</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 10,136,305 | \$ - | \$ 2,753 | \$ 1,141,396 | \$ 4,709,935 | \$ 1,013,304 | \$ 17,003,693 |
| Unearned revenues | 125,622 | - | - | - | - | 249 | 125,871 |
| Contract retainage | 14,098 | - | - | 150,252 | 1,319,564 | - | 1,483,914 |
| Due to component unit | 282,716 | - | - | - | - | - | 282,716 |
| Advance from grantor | 422,498 | 6,934,086 | - | - | 147,776 | 19,155 | 7,523,515 |
| Total liabilities | <u>10,981,239</u> | <u>6,934,086</u> | <u>2,753</u> | <u>1,291,648</u> | <u>6,177,275</u> | <u>1,032,708</u> | <u>26,419,709</u> |
| Deferred inflows of resources | 4,448,941 | - | 15,847,772 | - | - | 458,314 | 20,755,027 |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

EXHIBIT 3 (Continued)

| | Major | | | | Nonmajor | | Total Governmental Funds |
|---|-----------------------|---------------------|------------------------------|---|---|--------------------------------|--------------------------------|
| | General Fund | ARPA Fund | Opioid Settlement Fund | West End Plaza Capital Project Fund | Public Schools Capital Project Fund | Other Governmental Funds | |
| Fund balances: | | | | | | | |
| Non-spendable: | | | | | | | |
| Inventories | 65,648 | - | - | - | - | - | 65,648 |
| Prepays | 25,245 | - | - | - | - | - | 25,245 |
| Leases | 17,705 | - | - | - | - | - | 17,705 |
| Restricted: | | | | | | | |
| Stabilization by state statute | 25,836,410 | - | - | - | - | 26,526 | 25,862,936 |
| Education capital | 5,658,173 | - | - | - | 37,626,579 | - | 43,284,752 |
| Emergency telephone | - | - | - | - | - | 1,704,141 | 1,704,141 |
| Law enforcement | 222,600 | - | - | - | - | - | 222,600 |
| Register of Deeds | 17,052 | - | - | - | - | - | 17,052 |
| Human services | - | - | 7,932,586 | - | - | 243,863 | 8,176,449 |
| Committed: | | | | | | | |
| Public safety | 93,706 | - | - | - | - | - | 93,706 |
| Future projects | 3,740,188 | 1,597,655 | - | 14,841,461 | 5,698,615 | 941,131 | 26,819,050 |
| Tax revaluation | 828,817 | - | - | - | - | - | 828,817 |
| Assigned: | | | | | | | |
| Subsequent year's expenditures | 11,527,163 | - | - | - | - | - | 11,527,163 |
| Agricultural extension | 65,613 | - | - | - | - | - | 65,613 |
| Animal services | 21,853 | - | - | - | - | - | 21,853 |
| Nature center | 2,721 | - | - | - | - | - | 2,721 |
| Economic development | 7,593,682 | - | - | - | - | - | 7,593,682 |
| Emergency services | 59,130 | - | - | - | - | - | 59,130 |
| Health | 382,470 | - | - | - | - | - | 382,470 |
| Information technology | 15,430 | - | - | - | - | - | 15,430 |
| Law enforcement | 74,786 | - | - | - | - | - | 74,786 |
| Libraries | 80,096 | - | - | - | - | - | 80,096 |
| Planning | 31,416 | - | - | - | - | - | 31,416 |
| Social services | 4,179,464 | - | - | - | - | - | 4,179,464 |
| Farmland preservation | - | - | - | - | - | 79,716 | 79,716 |
| Soil and water | 2,868 | - | - | - | - | - | 2,868 |
| Unassigned | 117,407,241 | - | - | - | - | - | 117,407,241 |
| Total fund balances | <u>177,949,477</u> | <u>1,597,655</u> | <u>7,932,586</u> | <u>14,841,461</u> | <u>43,325,194</u> | <u>2,995,377</u> | <u>248,641,750</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 193,379,657</u> | <u>\$ 8,531,741</u> | <u>\$ 23,783,111</u> | <u>\$ 16,133,109</u> | <u>\$ 49,502,469</u> | <u>\$ 4,486,399</u> | <u>\$ 295,816,486</u> |

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

Continued on next page.

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

| | |
|---|-----------------------|
| Fund balance - total governmental funds | \$ 248,641,750 |
| Capital assets and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 107,294,589 |
| Net pension asset | 167,570 |
| An internal service fund is used by management to charge the costs of risk management to individual funds. The assets and liabilities of this internal service fund are included in governmental activities on the Statement of Net Position. | 4,214,655 |
| Internal balances due from business-type activities internal service fund to governmental activities | 970,745 |
| Some liabilities, including bonds, notes and leases payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds. | (181,908,985) |
| Pension related deferrals | 17,922,796 |
| OPEB related deferrals | (107,244) |
| Deferred inflows of resources for taxes, ambulance receivables, and opioid settlement receivables | <u>19,914,793</u> |
| Net position - governmental activities | <u>\$ 217,110,669</u> |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT 4

| | Major | | | | Nonmajor | | Total Governmental Funds |
|---|--------------------|------------------|------------------------|-------------------------------------|-------------------------------------|--------------------------|--------------------------|
| | General Fund | ARPA Fund | Opioid Settlement Fund | West End Plaza Capital Project Fund | Public Schools Capital Project Fund | Other Governmental Funds | |
| REVENUES: | | | | | | | |
| Ad valorem taxes | \$ 120,535,563 | \$ - | \$ - | \$ - | \$ - | \$ 11,225,101 | \$ 131,760,664 |
| Local option sales taxes | 44,502,229 | - | - | - | - | - | 44,502,229 |
| Other taxes and licenses | 3,140,992 | - | - | - | - | - | 3,140,992 |
| Unrestricted intergovernmental | 590,774 | - | - | - | - | - | 590,774 |
| Restricted intergovernmental | 25,540,542 | 4,434,135 | 2,308,141 | - | 1,065,252 | 759,476 | 34,107,546 |
| Permits and fees | 3,529,483 | - | - | - | - | - | 3,529,483 |
| Sales and services | 13,337,253 | - | - | - | - | - | 13,337,253 |
| Investment earnings (loss) | 9,373,954 | 482,451 | 353,318 | 246,564 | 2,135,028 | 56,735 | 12,648,050 |
| Miscellaneous | 1,010,123 | - | - | - | - | 6,633 | 1,016,756 |
| Penalties, fines and forfeitures | - | - | - | - | - | 817,458 | 817,458 |
| Total revenues | 221,560,913 | 4,916,586 | 2,661,459 | 246,564 | 3,200,280 | 12,865,403 | 245,451,205 |
| EXPENDITURES: | | | | | | | |
| Current: | | | | | | | |
| General government | 19,388,414 | - | - | - | - | 815,356 | 20,203,770 |
| Public safety | 47,203,991 | - | - | - | - | 11,708,186 | 58,912,177 |
| Transportation | 2,399,868 | - | - | - | - | - | 2,399,868 |
| Economic and physical development | 4,299,533 | - | - | - | - | 249 | 4,299,782 |
| Human services | 35,391,637 | - | 468,813 | - | - | 277,708 | 36,138,158 |
| Culture and recreation | 8,229,843 | 414,140 | - | - | - | - | 8,643,983 |
| Intergovernmental: | | | | | | | |
| Education | 56,391,090 | - | - | - | - | - | 56,391,090 |
| Capital outlay | - | - | - | 7,155,898 | 30,833,673 | 2,471,388 | 40,460,959 |
| Debt service: | | | | | | | |
| Principal retirement | 13,753,816 | - | - | - | - | - | 13,753,816 |
| Interest and other charges | 3,280,791 | - | - | - | - | - | 3,280,791 |
| Total expenditures | 190,338,983 | 414,140 | 468,813 | 7,155,898 | 30,833,673 | 15,272,887 | 244,484,394 |
| Revenues over (under) expenditures | 31,221,930 | 4,502,446 | 2,192,646 | (6,909,334) | (27,633,393) | (2,407,484) | 966,811 |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT 4 (Continued)

| | General Fund | ARPA Fund | Major Opioid Settlement Fund | West End Plaza Capital Project Fund | Public Schools Capital Project Fund | Nonmajor Other Governmental Funds | Total Governmental Funds |
|---|-----------------------|---------------------|---------------------------------------|---|---|--|--------------------------------|
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Transfers from other funds | 4,313,976 | - | - | 11,622,580 | - | 2,581,681 | 18,518,237 |
| Transfers to other funds | (14,057,647) | (4,019,995) | - | - | (3,753,543) | - | (21,831,185) |
| Limited obligation bonds issued | - | - | - | - | 67,395,000 | - | 67,395,000 |
| Premium | - | - | - | - | 5,647,870 | - | 5,647,870 |
| Lease liability issued | 48,267 | - | - | - | - | - | 48,267 |
| Subscription liability issued | 1,367,180 | - | - | - | - | - | 1,367,180 |
| Sale of capital assets | 796,199 | - | - | - | - | - | 796,199 |
| Total other financing sources (uses) | <u>(7,532,025)</u> | <u>(4,019,995)</u> | <u>-</u> | <u>11,622,580</u> | <u>69,289,327</u> | <u>2,581,681</u> | <u>71,941,568</u> |
| Net change in fund balances | <u>23,689,905</u> | <u>482,451</u> | <u>2,192,646</u> | <u>4,713,246</u> | <u>41,655,934</u> | <u>174,197</u> | <u>72,908,379</u> |
| FUND BALANCES: | | | | | | | |
| Beginning of year, July 1 | 154,273,795 | 1,115,204 | 5,739,940 | 10,128,215 | - | 4,490,440 | 175,747,594 |
| Change within financial reporting entity (nonmajor to major) | - | - | - | - | 1,669,260 | (1,669,260) | - |
| Beginning of year, restated | <u>154,273,795</u> | <u>1,115,204</u> | <u>5,739,940</u> | <u>10,128,215</u> | <u>1,669,260</u> | <u>2,821,180</u> | <u>175,747,594</u> |
| Increase in inventories | <u>(14,223)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(14,223)</u> |
| End of year, June 30 | <u>\$ 177,949,477</u> | <u>\$ 1,597,655</u> | <u>\$ 7,932,586</u> | <u>\$ 14,841,461</u> | <u>\$ 43,325,194</u> | <u>\$ 2,995,377</u> | <u>\$ 248,641,750</u> |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT 4 (Continued)

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

| | |
|--|----------------------|
| Net change in fund balance - total governmental funds | \$ 72,908,379 |
| Change in fund balance due to change in reserve for inventory | (14,223) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets. | 13,203,816 |
| Depreciation expense allocates the costs of capital assets over their useful lives. Amortization expense allocates the cost to use lease assets over the terms of the leases. They are not reported as an expenditure in the governmental funds statement. | (7,606,771) |
| Cost of capital assets disposed during the year, recognized on the modified accrual basis in the fund statements, but recorded using the accrual basis on the Statement of Activities | (454,850) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | (949,945) |
| Contributions to the pension plans in the current fiscal year are not included on the Statement of Activities. | 7,037,082 |
| Benefit payments and administration costs for LEOSSA in the current fiscal year are not included on the Statement of Activities. | 208,890 |
| Contributions to the OPEB plan in the current fiscal year are not included on the Statement of Activities. | 616,501 |
| The issuance of long-term debt, leases, and subscriptions provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt, leases, subscriptions, and related items. | (60,408,877) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | (13,011,343) |
| Net expense of internal service fund determined to be governmental-type | <u>(204,869)</u> |
| Change in net position of governmental activities | <u>\$ 11,323,790</u> |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT 5

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|------------------------------------|--------------------|--------------------|--------------------|--|
| REVENUES: | | | | |
| Ad valorem taxes | \$ 119,410,000 | \$ 119,410,000 | \$ 120,535,563 | \$ 1,125,563 |
| Local option sales taxes | 40,000,000 | 40,000,000 | 44,502,229 | 4,502,229 |
| Other taxes and licenses | 2,544,000 | 2,794,000 | 3,140,992 | 346,992 |
| Unrestricted intergovernmental | 565,000 | 565,000 | 590,774 | 25,774 |
| Restricted intergovernmental | 20,810,655 | 25,749,143 | 25,540,542 | (208,601) |
| Permits and fees | 3,474,000 | 3,474,000 | 3,529,483 | 55,483 |
| Sales and services | 10,950,899 | 11,158,364 | 13,337,253 | 2,178,889 |
| Investment earnings | 3,000,050 | 3,000,050 | 9,373,954 | 6,373,904 |
| Miscellaneous | 463,705 | 1,103,279 | 1,010,123 | (93,156) |
| Total revenues | 201,218,309 | 207,253,836 | 221,560,913 | 14,307,077 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 31,842,323 | 37,045,389 | 19,388,414 | 17,656,975 |
| Public safety | 51,461,474 | 57,390,866 | 47,203,991 | 10,186,875 |
| Transportation | 2,218,006 | 3,277,624 | 2,399,868 | 877,756 |
| Economic and physical development | 3,901,592 | 5,588,450 | 4,299,533 | 1,288,917 |
| Human services | 54,424,920 | 61,310,314 | 35,391,637 | 25,918,677 |
| Culture and recreation | 12,163,051 | 9,421,609 | 8,229,843 | 1,191,766 |
| Intergovernmental: | | | | |
| Education | 55,842,377 | 61,684,342 | 56,391,090 | 5,293,252 |
| Debt service: | | | | |
| Principal retirement | 16,811,000 | 20,564,573 | 13,753,816 | 6,810,757 |
| Interest and other charges | 6,952,000 | 6,951,970 | 3,280,791 | 3,671,179 |
| Total expenditures | 235,616,743 | 263,235,137 | 190,338,983 | 72,896,154 |
| Revenues over (under) expenditures | (34,398,434) | (55,981,301) | 31,221,930 | 87,203,231 |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT 5 (Continued)

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|--|--------------------|---------------------|-----------------------|--|
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers from other funds | - | 4,313,976 | 4,313,976 | - |
| Transfers to other funds | (3,202,505) | (16,475,966) | (14,057,647) | 2,418,319 |
| Lease liability issued | - | 43,279 | 48,267 | 4,988 |
| Subscription liability issued | - | 221,036 | 1,367,180 | 1,146,144 |
| Sale of capital assets | - | 105,149 | 796,199 | 691,050 |
| Total other financing sources (uses) | <u>(3,202,505)</u> | <u>(11,792,526)</u> | <u>(7,532,025)</u> | <u>4,260,501</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | (37,600,939) | (67,773,827) | 23,689,905 | 91,463,732 |
| APPROPRIATED FUND BALANCE | <u>37,600,939</u> | <u>67,773,827</u> | <u>-</u> | <u>(67,773,827)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 23,689,905 | <u>\$ 23,689,905</u> |
| FUND BALANCE: | | | | |
| Beginning of year, July 1 | | | 154,273,795 | |
| Increase in inventories | | | <u>(14,223)</u> | |
| End of year, June 30 | | | <u>\$ 177,949,477</u> | |

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

ROWAN COUNTY, NORTH CAROLINA**EXHIBIT 6****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL****OPIOID SETTLEMENT FUND****For the Fiscal Year Ended June 30, 2025**

| | Original Budget | Final Budget | Actual | Variance With Final Positive (Negative) |
|---------------------------------------|--------------------|------------------|---------------------|--|
| REVENUES: | | | | |
| Restricted intergovernmental revenues | \$ 1,475,808 | \$ 1,475,808 | \$ 2,308,141 | \$ 832,333 |
| Investment earnings | - | - | 353,318 | 353,318 |
| Total revenues | <u>1,475,808</u> | <u>1,475,808</u> | <u>2,661,459</u> | <u>1,185,651</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Human Services | <u>1,475,808</u> | <u>1,475,808</u> | <u>468,813</u> | <u>1,006,995</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | 2,192,646 | <u>\$ 2,192,646</u> |
| FUND BALANCE: | | | | |
| Beginning of year, July 1 | | | <u>5,739,940</u> | |
| End of year, June 30 | | | <u>\$ 7,932,586</u> | |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

EXHIBIT 7

| | Major | | Non-Major | Total | Internal |
|--|-------------------|-------------------|------------------|-------------------|-----------------------------------|
| | Airport Fund | Landfill Fund | Water Fund | | Service Fund Risk Management Fund |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 4,364,780 | \$ 27,352,701 | \$ 893,650 | \$ 32,611,131 | \$ 4,831,114 |
| Restricted cash | 21,485,140 | - | - | 21,485,140 | - |
| Receivables (net) | 219,733 | 743,570 | - | 963,303 | 10,000 |
| Leases receivable, current | 21,936 | - | - | 21,936 | - |
| Due from other governments | - | 100,347 | 157,305 | 257,652 | - |
| Inventories | 46,044 | - | - | 46,044 | - |
| Prepays | - | 690 | 2,500 | 3,190 | 4,438 |
| Total current assets | <u>26,137,633</u> | <u>28,197,308</u> | <u>1,053,455</u> | <u>55,388,396</u> | <u>4,845,552</u> |
| Non-current assets: | | | | | |
| Leases receivable, non-current | <u>91,171</u> | <u>-</u> | <u>-</u> | <u>91,171</u> | <u>-</u> |
| Capital assets: | | | | | |
| Land and construction in progress | 4,338,426 | 2,505,056 | 112,460 | 6,955,942 | - |
| Other capital assets, net | <u>19,970,088</u> | <u>12,368,680</u> | <u>3,356,352</u> | <u>35,695,120</u> | <u>-</u> |
| Total capital assets, net | <u>24,308,514</u> | <u>14,873,736</u> | <u>3,468,812</u> | <u>42,651,062</u> | <u>-</u> |
| Total non-current assets | <u>24,399,685</u> | <u>14,873,736</u> | <u>3,468,812</u> | <u>42,742,233</u> | <u>-</u> |
| Total assets | <u>50,537,318</u> | <u>43,071,044</u> | <u>4,522,267</u> | <u>98,130,629</u> | <u>4,845,552</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension deferrals | 94,423 | 732,726 | - | 827,149 | - |
| OPEB deferrals | <u>1,764</u> | <u>25,741</u> | <u>-</u> | <u>27,505</u> | <u>-</u> |
| Total deferred outflows of resources | <u>96,187</u> | <u>758,467</u> | <u>-</u> | <u>854,654</u> | <u>-</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | 2,056,698 | 520,569 | 22,559 | 2,599,826 | 99,807 |
| Claims payable | - | - | - | - | 531,090 |
| Advance from grantors | 9,327,681 | - | - | 9,327,681 | - |
| Compensated absences | 11,131 | 71,338 | - | 82,469 | - |
| Total OPEB liability | 1,200 | 15,400 | - | 16,600 | - |
| Lease liabilities | 7,670 | 3,556 | - | 11,226 | - |
| Subscription liabilities | 8,957 | - | - | 8,957 | - |
| Notes payable | <u>1,204,805</u> | <u>-</u> | <u>-</u> | <u>1,204,805</u> | <u>-</u> |
| Total current liabilities | <u>12,618,142</u> | <u>610,863</u> | <u>22,559</u> | <u>13,251,564</u> | <u>630,897</u> |

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

Continued on next page.

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2025

| | Major | | Non-Major | Total | Internal |
|---|---------------|---------------|--------------|---------------|-----------------------------------|
| | Airport Fund | Landfill Fund | Water Fund | | Service Fund Risk Management Fund |
| Non-current liabilities: | | | | | |
| Accrued landfill closure and post-closure care costs | - | 19,224,492 | - | 19,224,492 | - |
| Compensated absences | 13,996 | 160,242 | - | 174,238 | - |
| Net pension liability (LRS) | 182,563 | 1,416,689 | - | 1,599,252 | - |
| Total OPEB liability | 13,189 | 283,222 | - | 296,411 | - |
| Lease liabilities | 128,084 | - | - | 128,084 | - |
| Subscription liabilities | 5,108 | - | - | 5,108 | - |
| Notes payable | 14,743,339 | - | - | 14,743,339 | - |
| Total non-current liabilities | 15,086,279 | 21,084,645 | - | 36,170,924 | - |
| Total liabilities | 27,704,421 | 21,695,508 | 22,559 | 49,422,488 | 630,897 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Lease deferrals | 109,830 | - | - | 109,830 | - |
| Pension deferrals | 1,584 | 12,296 | - | 13,880 | - |
| OPEB deferrals | 1,952 | 28,473 | - | 30,425 | - |
| Total deferred inflows of resources | 113,366 | 40,769 | - | 154,135 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 19,218,282 | 14,870,180 | 3,468,812 | 37,557,274 | - |
| Unrestricted | 3,597,436 | 7,223,054 | 1,030,896 | 11,851,386 | 4,214,655 |
| Total net position | \$ 22,815,718 | \$ 22,093,234 | \$ 4,499,708 | 49,408,660 | \$ 4,214,655 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | (970,745) | |
| Net position of business-type activities | | | | \$ 48,437,915 | |

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2025

| | Major | | Nonmajor | Total | Internal |
|--|--------------|---------------|------------|---------------|-----------------------------------|
| | Airport Fund | Landfill Fund | Water Fund | | Service Fund Risk Management Fund |
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 1,703,452 | \$ 8,680,227 | \$ 261,810 | \$ 10,645,489 | \$ 863,158 |
| OPERATING EXPENSES: | | | | | |
| Administration | - | - | - | - | 77,230 |
| Premiums and claims | - | - | - | - | 2,231,585 |
| Airport operations | 1,678,620 | - | - | 1,678,620 | - |
| Landfill operations | - | 5,766,013 | - | 5,766,013 | - |
| Landfill closure and post-closure care costs | - | 1,139,359 | - | 1,139,359 | - |
| Water operations | - | - | 351,743 | 351,743 | - |
| Depreciation and amortization | 1,303,447 | 2,444,687 | 109,949 | 3,858,083 | - |
| Total operating expenses | 2,982,067 | 9,350,059 | 461,692 | 12,793,818 | 2,308,815 |
| Operating income (loss) | (1,278,615) | (669,832) | (199,882) | (2,148,329) | (1,445,657) |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Scrap tire disposal tax | - | 289,727 | - | 289,727 | - |
| Solid waste disposal tax | - | 87,117 | - | 87,117 | - |
| Other grants and revenue | - | 2,264 | - | 2,264 | - |
| Other rent income | - | 2,100 | - | 2,100 | - |
| Investment earnings (loss) | 1,440,221 | 847,429 | 60,156 | 2,347,806 | 261,081 |
| Insurance settlements | - | - | - | - | 230,529 |
| Loss on disposal of capital assets | (1,575) | - | - | (1,575) | - |
| Interest expense | (674,370) | (124) | - | (674,494) | - |
| Sale of property | 9,925 | 35,508 | - | 45,433 | - |
| Miscellaneous | - | - | 154,089 | 154,089 | 18,288 |
| Total non-operating revenues | 774,201 | 1,264,021 | 214,245 | 2,252,467 | 509,898 |

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

Continued on next page.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2025

| | Major | | Nonmajor | Total | Internal |
|--|---------------|---------------|--------------|---------------|-----------------------------------|
| | Airport Fund | Landfill Fund | Water Fund | | Service Fund Risk Management Fund |
| Income (loss) before transfers and capital contributions | (504,414) | 594,189 | 14,363 | 104,138 | (935,759) |
| CAPITAL CONTRIBUTIONS | 2,139,966 | - | - | 2,139,966 | - |
| TRANSFERS FROM OTHER FUNDS | 2,144,825 | - | 448,016 | 2,592,841 | 720,107 |
| Change in net position | 3,780,377 | 594,189 | 462,379 | 4,836,945 | (215,652) |
| TOTAL NET POSITION: | | | | | |
| Beginning of year, July 1 | 19,053,337 | 21,622,060 | 4,037,329 | 44,712,726 | 4,430,307 |
| Restatement | (17,996) | (123,015) | - | (141,011) | - |
| Beginning of year, July 1, restated | 19,035,341 | 21,499,045 | 4,037,329 | 44,571,715 | 4,430,307 |
| End of year, June 30 | \$ 22,815,718 | \$ 22,093,234 | \$ 4,499,708 | \$ 49,408,660 | \$ 4,214,655 |

Reconciliation with Exhibit B Change in Net Position -

Business-Type Activities

| | |
|---|--------------|
| Change in net position - fund perspective | \$ 4,836,945 |
| Internal Service Fund profit (loss) allocated to business-type activities | (10,783) |
| Change in net position - entity-wide perspective - Exhibit B | \$ 4,826,162 |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT 9

| | Major | | Nonmajor | Total | Internal |
|--|-----------------|------------------|---------------|---------------|--|
| | Airport Fund | Landfill Fund | Water Fund | | Service Fund Risk Management Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from customers | \$ 1,711,278 | \$ 8,712,449 | \$ 104,505 | \$ 10,528,232 | \$ 871,449 |
| Cash paid for goods and services | (349,253) | (2,781,065) | (404,959) | (3,535,277) | (2,263,358) |
| Cash paid to employees for services | (423,828) | (2,760,169) | - | (3,183,997) | - |
| Net cash provided (used) by operating activities | 938,197 | 3,171,215 | (300,454) | 3,808,958 | (1,391,909) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | | | |
| Non-capital grants and other subsidies | 9,925 | 407,233 | 154,089 | 571,247 | - |
| Transfers in | 2,144,825 | - | 448,016 | 2,592,841 | 720,107 |
| Net cash provided by non-capital financing activities | 2,154,750 | 407,233 | 602,105 | 3,164,088 | 720,107 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Principal paid on long-term debt | (1,163,838) | (3,476) | - | (1,167,314) | - |
| Interest paid | (467,270) | (124) | - | (467,394) | - |
| Acquisition and construction of capital assets | (9,709,559) | (1,953,942) | - | (11,663,501) | - |
| Capital grants and other subsidies | (1,417) | - | - | (1,417) | - |
| Proceeds from insurance settlements | - | - | - | - | 230,529 |
| Net cash provided (used) by capital and related financing activities | (11,342,084) | (1,957,542) | - | (13,299,626) | 230,529 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Interest received on investments | 1,440,221 | 847,429 | 60,156 | 2,347,806 | 261,081 |
| Net increase (decrease) in cash and investments | (6,808,916) | 2,468,335 | 361,807 | (3,978,774) | (180,192) |
| CASH AND CASH EQUIVALENTS, July 1 | 32,658,836 | 24,884,366 | 531,843 | 58,075,045 | 5,011,306 |
| CASH AND CASH EQUIVALENTS, June 30 | \$ 25,849,920 | \$ 27,352,701 | \$ 893,650 | \$ 54,096,271 | \$ 4,831,114 |

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

Continued on next page.

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT 9 (Continued)

| | Major | | Nonmajor | | Internal Service Fund |
|--|-----------------|------------------|---------------|----------------|----------------------------|
| | Airport Fund | Landfill Fund | Water Fund | Total | Risk Management Fund |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ (1,278,615) | \$ (669,832) | \$ (199,882) | \$ (2,148,329) | \$ (1,445,657) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation and amortization | 1,303,447 | 2,444,687 | 109,949 | 3,858,083 | - |
| Other revenues | - | - | - | - | 18,288 |
| Landfill closure and post-closure care costs | - | 1,139,359 | - | 1,139,359 | - |
| Changes in assets, liabilities, and deferred outflows and inflows of resources: | | | | | |
| (Increase) decrease in receivables (net) | 7,531 | 32,222 | (157,305) | (117,552) | (9,997) |
| (Increase) decrease in leases receivable | 67,503 | - | - | 67,503 | - |
| (Increase) decrease in inventory | (17,095) | - | - | (17,095) | - |
| (Increase) decrease in prepaid | 695 | (690) | (2,500) | (2,495) | (4,438) |
| Increase (decrease) in lease deferrals | (67,208) | - | - | (67,208) | - |
| (Increase) decrease in deferred outflows of resources - pensions | 14,926 | 115,824 | - | 130,750 | - |
| Increase (decrease) in net pension liability | 2,790 | 21,653 | - | 24,443 | - |
| Increase (decrease) in deferred inflows of resources - pensions | 550 | 4,271 | - | 4,821 | - |
| (Increase) decrease in deferred outflows of resources - OPEB | 343 | 5,005 | - | 5,348 | - |
| Increase (decrease) in total OPEB liability | (661) | (9,640) | - | (10,301) | - |
| Increase (decrease) in deferred inflows of resources - OPEB | 150 | 2,180 | - | 2,330 | - |
| Increase (decrease) in accounts payable and accrued liabilities | 919,956 | 111,858 | (50,716) | 981,098 | 54,566 |
| Increase (decrease) in claims payable | - | - | - | - | (4,671) |
| Increase (decrease) in compensated absences payable | (16,115) | (25,682) | - | (41,797) | - |
| Total adjustments | 2,216,812 | 3,841,047 | (100,572) | 5,957,287 | 53,748 |
| Net cash provided (used) by operating activities | \$ 938,197 | \$ 3,171,215 | \$ (300,454) | \$ 3,808,958 | \$ (1,391,909) |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES: | | | | | |
| Right to use assets acquired / liabilities issued | \$ 19,454 | \$ - | \$ - | \$ 19,454 | \$ - |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

EXHIBIT 10

| | <u>Custodial Fund</u> |
|---------------------------|---------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 602,580 |
| Accounts receivable, net | <u>1,128,505</u> |
| Total assets | <u>1,731,085</u> |
| | |
| LIABILITIES | |
| Due to other governments | <u>602,581</u> |
| | |
| NET POSITION | |
| Restricted: | |
| Other governments | <u>\$ 1,128,504</u> |

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

ROWAN COUNTY, NORTH CAROLINA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended JUNE 30, 2025

EXHIBIT 11

| | <u>Custodial Fund</u> |
|---|----------------------------|
| ADDITIONS: | |
| Ad valorem taxes for other governments | \$ 47,176,369 |
| DEDUCTIONS: | |
| Tax distributions to other governments | <u>47,077,637</u> |
| Net increase (decrease) in fiduciary net position | 98,732 |
| NET POSITION: | |
| Beginning of year - July 1 | <u>1,029,772</u> |
| End of year - June 30 | <u><u>\$ 1,128,504</u></u> |

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Rowan County, North Carolina (the County) and its component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The County, which is governed by a five-member Board of Commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally separate entities for which the County is financially accountable. The Rowan County Industrial Facilities and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The Rowan County Tourism Development Authority (the TDA), which has a June 30 year-end, is presented as if it is a separate governmental-type fund of the County (discrete presentation).

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies, result from non-exchange transactions. Other non-operating items such as investment earnings are ancillary activities.

The County reports the following major governmental funds:

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

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

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

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

Public-School Capital Projects Fund This fund accounts for the financed and lottery construction and renovations projects of Rowan Salisbury School System and the Rowan County share of Kannapolis City Schools.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

The County reports the following major enterprise funds:

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

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

The County reports the following fund types:

Internal Service Fund. Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the County on a cost-reimbursement basis. The County has one internal service fund, the Risk Management Fund.

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains one custodial fund: the Municipal Tax Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County but that are not revenues to the County.

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

Measurement Focus, Basis of Accounting

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

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

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

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

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

C. Budgetary Data

The County's budgets are adopted as required by North Carolina General Statutes. An annual budget is adopted for the General Fund, opioid settlement, emergency telephone system, fire district, representative payee, fines and forfeitures, and farmland preservation special revenue funds, and the enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the ARPA and community development special revenue funds

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

and the capital projects funds. All budgets are prepared using the modified accrual basis of accounting. The risk management internal service fund operates under a financial plan, which was adopted by the governing board at the same time as the County's budget ordinance. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the multi-year funds. The County Manager is authorized by the budget ordinance to transfer appropriations within a function of a fund; however, any revisions that alter the total appropriations of any fund must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

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

State law [G.S. 159-30] authorizes the County to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and mutual fund shares when the mutual fund is certified by the Local Government Commission.

The majority of the County's investments are carried at fair value. Non-participating interest earning contracts are accounted for at cost. The North Carolina Capital Management Trust (NCCMT) Government Portfolio is a SEC-registered money market mutual fund that is certified by the Local Government Commission under the provisions of G.S. 159-30(c)(8) and the North Carolina Administrative Code, Title 20, Chapter 03, Section .0700. The Government Portfolio is a 2a7 fund that invests in treasuries, government agencies, and repurchase agreements collateralized by treasuries. It is rated AAAM by S&P and AAA-mf by Moody's Investor Services and reported at fair value.

2. Cash and Cash Equivalents

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

3. Restricted Assets

ARPA funds are classified as restricted cash because they must be expended in accordance with the American Rescue Plan Act. Other unspent grant funds and opioid settlement funds are classified as restricted cash because they must be expended in accordance with their respective agreements.

ROWAN COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2025

Unspent money allocated for tax revaluation is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

| <u>Rowan County Restricted Cash</u> | | | |
|--------------------------------------|--------------------------|----|--------------------------|
| Governmental Activities: | | | |
| General Fund | Unspent grant funds | \$ | 422,498 |
| General Fund | Tax revaluation | | 828,817 |
| ARPA Fund | Unspent ARPA grant | | 6,934,086 |
| Opioid settlement funds | Opioid settlement funds | | 7,935,339 |
| Other governmental funds | Unspent grant funds | | 19,155 |
| Public Schools Capital Projects Fund | Unspent debt funds | | 37,626,579 |
| Public Schools Capital Projects Fund | Unspent grant funds | | <u>147,776</u> |
| Total governmental activities | | | <u>53,914,250</u> |
| Business-Type Activities: | | | |
| Airport Fund | Unspent grant funds | | 9,327,681 |
| Airport Fund | Unexpended loan proceeds | | <u>12,157,459</u> |
| Total business-type activities | | | <u>21,485,140</u> |
| Total restricted cash | | \$ | <u><u>75,399,390</u></u> |

4. Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2024. As allowed by state law, the County has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The County reports a receivable for the amount to be received to the Opioid Settlement. The County has estimated an allowance for uncollectible accounts even in the absence of historical data to serve as the basis of the calculation. The County believes this is prudent given the term over which these amounts are to be paid and the possibility that corporations party to the settlement may experience bankruptcy or going concern issues. The estimate is established as a flat 20% of the outstanding receivable balance.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

6. Leases Receivable

The County's leases receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the County may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

7. Inventories and Prepaid Items

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

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

8. Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after July 1, 2015 are recorded at acquisition value. The minimum capitalization cost is \$5,000 for all capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

ROWAN COUNTY, NORTH CAROLINA
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For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

9. Deferred Outflows and Inflows of Resources

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

10. Long-term Obligations

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

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

11. Compensated Absences

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

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. To establish the sick leave accrual, the County used a six-year look-back period to estimate the amount of leave that will be used as sick leave over the employee’s service period. The liability is based on the sick leave earned, the used estimate and the salary-related payments.

12. Opioid Settlement Funds

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

ROWAN COUNTY, NORTH CAROLINA
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North Carolina’s Memorandum of Agreement (MOA) between the state and local governments for the settlement funds allocates the funds as follows:

- 15% directly to the state (“State Abatement Fund”)
- 80% to abatement funds established by local governments (“local abatement funds”)
- 5% to a County Incentive Fund.

As of June 30, 2025, the County has received \$8,386,254 as part of this settlement. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. In fiscal year 2025 the County expended \$468,813. The MOA offered the County two options of expending the funds. The County opted for Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

13. Reimbursements for Pandemic-related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for the eligible state, local, territorial, and tribal governments. The County was allocated \$27,598,928 of fiscal recovery funds to be paid in two equal installments. The first installment of \$13,799,464 was received in June 2021. The second installment of \$13,799,464 was received in June 2022. County staff and the Board of Commissioners elected to use approximately \$2,317,000 of the ARPA funds for premium pay, including a one-time payment of \$2,000 per qualified employee totaling approximately \$1,640,000. During the year ended June 30, 2022, the County spent a total of \$5,007,787 in the ARPA Fund and transferred \$226,595 to the Water Fund and spent for a water infrastructure project. During the year ended June 30, 2023, the County spent a total of \$745,300 in the ARPA fund and transferred \$8,057,350 of revenue replacement funds to the General fund to be spent on salaries and benefits and capital projects. During the year ended June 30, 2024, the County spent a total of \$178,892 in the ARPA fund, transferred \$1,382,216 of revenue replacement funds to the General Fund to be spent on capital projects, \$626,200 of revenue replacement funds to the West End Capital Projects Fund to be spent on capital projects, and transferred \$6,366 to the Water Fund. During the year ended June 30, 2025, the County spent a total of \$414,140 in the ARPA fund, transferred \$560,433 of revenue replacement funds to the General Fund to be spent on capital projects, \$3,453,944 of revenue replacement funds to the West End Capital Projects Fund to be spent on capital projects, and transferred \$5,618 to the Water Fund.

14. Net Position

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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15. Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

Restricted for education capital – portion of fund balance that is restricted by revenue source (sales tax) and debt proceeds for school capital expenditures.

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

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

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

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

Restricted net position on Exhibit 1 varies from restricted fund balance on Exhibit 3 by the Register of Deeds’ pension plan of \$167,570 and unspent debt proceeds of \$37,626,579.

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

Committed for public safety – portion of fund balance that has been committed by the governing body for public safety capital purchases.

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

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

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

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

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

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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16. Defined Benefit Pension Plans

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

E. Management Estimates

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

F. Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains “Some liabilities, including bonds payable and related accrued interest, are not due and payable in the current period and, therefore, are not reported in the fund.” The details of this (\$181,908,985) difference are as follows:

| | |
|----------------------------------|-------------------------|
| Bonds and installment financings | \$ (119,011,811) |
| Lease liabilities | (251,898) |
| Subscription liabilities | (1,058,263) |
| Accrued interest payable | (2,329,206) |
| Compensated absences | (7,997,113) |
| Net pension liability (LGERS) | (34,913,364) |
| Total pension liability (LEOSSA) | (5,177,445) |
| Total OPEB liability | <u>(11,169,885)</u> |
| Total | <u>\$ (181,908,985)</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net change in fund balance - total governmental funds* and *change in net position - governmental activities* as reported in the government-wide Statement of Activities. An element of that reconciliation states “The issuance of long-term debt and leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$60,408,877 difference are as follows:

| | |
|--|------------------------|
| Issuance of debt, leases and subscriptions | \$ (74,458,317) |
| Principal repayments: | |
| General obligation debt | 825,000 |
| Limited obligation bond | 3,360,000 |
| Installment financing | 8,529,248 |
| Lease liabilities | 447,417 |
| Subscription liabilities | 592,151 |
| Amortization of bond premium | 295,624 |
| Total | <u>\$ (60,408,877)</u> |

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All of the County’s deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County’s agents in the County’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by its agents in the County’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization,

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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 risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2025, the County's deposits had a carrying amount of \$16,035,402 and a bank balance of \$13,491,078. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2025, the County had \$25,330 cash on hand.

2. Investments

As of June 30, 2025, the County had the following investments and maturities:

| <u>Investment Type</u> | <u>Valuation Measurement Method</u> | <u>Fair Value</u> | <u>Less than</u> | <u>6-12</u> | <u>1-3</u> |
|---|---|-----------------------|-----------------------|----------------------|--------------|
| | | | <u>6 Months</u> | <u>Months</u> | <u>Years</u> |
| US Government Treasuries | Fair Value Level 1 | \$ 29,470,381 | \$ 18,599,851 | \$ 10,870,530 | \$ - |
| US Government Agencies | Fair Value Level 2 | 6,799,341 | 972,618 | 5,826,723 | - |
| NC Capital Management Trust - Government Portfolio | Fair Value Level 1 | <u>263,010,778</u> | <u>263,010,778</u> | - | - |
| Total | | <u>\$ 299,280,500</u> | <u>\$ 282,583,247</u> | <u>\$ 16,697,253</u> | <u>\$ -</u> |

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

Level of fair value hierarchy: Level 1 - debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 - debt securities valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

ROWAN COUNTY, NORTH CAROLINA
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Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2025, the County’s investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAA-mf by Moody’s Investors Service as of June 30, 2025. The County’s investments in U.S. Treasuries and Government Agencies are rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service.

Concentration of Credit Risk. The County places no limit on the amount that the County may invest in any one issuer. At a minimum 30% shall be invested in the North Carolina Capital Management Trust. Of the remaining 70%, up to 65% in Treasury Bill, Notes or Government Agencies.

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

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

| <u>Year Levied</u> | <u>Tax</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 5,385,149 | \$ 1,278,973 | \$ 6,664,122 |
| 2023 | 5,709,723 | 842,184 | 6,551,907 |
| 2024 | 5,700,247 | 327,764 | 6,028,011 |
| 2025 | 5,696,947 | - | 5,696,947 |
| Total | <u>\$ 22,492,066</u> | <u>\$ 2,448,921</u> | <u>\$ 24,940,987</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

4. Receivables

a. Government-wide Receivables

Receivables at the government-wide level at June 30, 2025 were as follows:

| | <u>Accounts</u> | <u>Taxes and Related Accrued Interest</u> | <u>Total</u> |
|---------------------------------|----------------------|---|----------------------|
| Governmental Activities: | | | |
| General | \$ 5,314,533 | \$ 4,497,175 | \$ 9,811,708 |
| Opioid Settlement | 19,809,715 | - | 19,809,715 |
| Other governmental | <u>33,372</u> | <u>458,314</u> | <u>491,686</u> |
| Total receivables | 25,157,620 | 4,955,489 | 30,113,109 |
| Allowance for doubtful accounts | <u>(6,251,351)</u> | <u>(1,045,512)</u> | <u>(7,296,863)</u> |
| Total governmental activities | <u>\$ 18,906,269</u> | <u>\$ 3,909,977</u> | <u>\$ 22,816,246</u> |
| Business-type Activities: | | | |
| Airport | \$ 219,733 | \$ - | \$ 219,733 |
| Landfill | <u>778,087</u> | <u>-</u> | <u>778,087</u> |
| Total receivables | 997,820 | - | 997,820 |
| Allowance for doubtful accounts | <u>(34,517)</u> | <u>-</u> | <u>(34,517)</u> |
| Total business-type activities | <u>\$ 963,303</u> | <u>\$ -</u> | <u>\$ 963,303</u> |
| Custodial Funds: | | | |
| Taxes receivable | \$ - | \$ 1,538,335 | \$ 1,538,335 |
| Allowance for doubtful accounts | <u>-</u> | <u>(409,830)</u> | <u>(409,830)</u> |
| Total custodial funds | <u>\$ -</u> | <u>\$ 1,128,505</u> | <u>\$ 1,128,505</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

| | |
|----------------------------------|----------------------|
| Governmental Activities | |
| Local option sales tax | \$ 11,447,219 |
| Other | 5,018,427 |
| Emergency 911 fees | <u>3,403</u> |
| Total governmental activities | <u>\$ 16,469,049</u> |
| Business-Type Activities: | |
| Landfill grants | \$ 100,347 |
| Water - City participation | <u>157,305</u> |
| Total business-type activities | <u>\$ 257,652</u> |

b. Leases Receivable

Details of the County's leases receivable at June 30, 2025 are as follows:

Rowan County has 35 active leases. The leases have receipts that range from \$12 to \$137,500 and interest rates that range from 0.5140% to 3.3050%. As of June 30, 2025, the total combined value of the lease receivables is \$751,700, the total combined value of the short-term lease receivable is \$252,481, and the combined value of the deferred inflow of resources is \$730,718.

| Year Ending | Governmental Activities | | | Business-Type Activities | | |
|-------------|-------------------------|------------------|-------------------|--------------------------|-----------------|-------------------|
| | June 30 | Principal | Interest | Total | Principal | Interest |
| 2026 | \$ 230,545 | \$ 13,047 | \$ 243,592 | \$ 21,936 | \$ 1,695 | \$ 23,631 |
| 2027 | 189,730 | 7,812 | 197,542 | 21,459 | 1,373 | 22,832 |
| 2028 | 142,146 | 3,063 | 145,209 | 21,798 | 1,045 | 22,843 |
| 2029 | 21,123 | 1,147 | 22,270 | 21,096 | 716 | 21,812 |
| 2030 | 14,327 | 853 | 15,180 | 6,866 | 467 | 7,333 |
| 2031-2035 | 40,722 | 1,023 | 41,745 | 12,378 | 1,507 | 13,885 |
| 2036-2040 | - | - | - | 7,574 | 240 | 7,814 |
| Total | <u>\$ 638,593</u> | <u>\$ 26,945</u> | <u>\$ 665,538</u> | <u>\$ 113,107</u> | <u>\$ 7,043</u> | <u>\$ 120,150</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

5. Capital Assets

a. Primary Government

Capital asset activity for the year ended June 30, 2025 was as follows:

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2025</u> |
|--|---------------------------------------|------------------|--------------------|--------------------|--|
| Governmental Activities: | | | | | |
| Non-Depreciable Capital Assets: | | | | | |
| Land | \$ 9,173,866 | \$ - | \$ (20,546) | \$ 3,425,000 | \$ 12,578,320 |
| Construction in progress | <u>35,295,133</u> | <u>7,475,490</u> | <u>-</u> | <u>(8,815,270)</u> | <u>33,955,353</u> |
| Total non-depreciable capital assets | <u>44,468,999</u> | <u>7,475,490</u> | <u>(20,546)</u> | <u>(5,390,270)</u> | <u>46,533,673</u> |
| Depreciable Capital Assets: | | | | | |
| Buildings | 63,076,075 | - | - | 5,124,193 | 68,200,268 |
| Other improvements | 29,527,271 | 103,930 | (513,299) | - | 29,117,902 |
| Equipment | 27,302,891 | 1,101,166 | (3,130,652) | - | 25,273,405 |
| Vehicles and motorized equipment | <u>17,703,884</u> | <u>3,087,893</u> | <u>(3,583,611)</u> | <u>266,077</u> | <u>17,474,243</u> |
| Total depreciable capital assets | <u>137,610,121</u> | <u>4,292,989</u> | <u>(7,227,562)</u> | <u>5,390,270</u> | <u>140,065,818</u> |
| Right-to-use Assets: | | | | | |
| Lease building | 640,746 | 4,988 | (96,031) | - | 549,703 |
| Lease equipment | 1,252,178 | 63,169 | (1,065,270) | - | 250,077 |
| Subscription | <u>852,458</u> | <u>1,367,180</u> | <u>(132,516)</u> | <u>-</u> | <u>2,087,122</u> |
| Total right-to-use assets | <u>2,745,382</u> | <u>1,435,337</u> | <u>(1,293,817)</u> | <u>-</u> | <u>2,886,902</u> |
| Less Accumulated Depreciation: | | | | | |
| Buildings | 30,759,911 | 1,338,608 | - | - | 32,098,519 |
| Other improvements | 21,090,490 | 561,031 | (466,222) | - | 21,185,299 |
| Equipment | 16,909,008 | 2,770,793 | (3,046,895) | - | 16,632,906 |
| Vehicles and motorized equipment | <u>12,122,409</u> | <u>2,023,455</u> | <u>(3,280,141)</u> | <u>-</u> | <u>10,865,723</u> |
| Total accumulated depreciation | <u>80,881,818</u> | <u>6,693,887</u> | <u>(6,793,258)</u> | <u>-</u> | <u>80,782,447</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Balance</u> <u>June 30, 2025</u> |
|--|---------------------------------------|------------------|--------------------|------------------|--|
| Governmental Activities (cont'd): | | | | | |
| Less Accumulated Amortization: | | | | | |
| Lease building | 318,744 | 130,558 | (96,031) | - | 353,271 |
| Lease equipment | 947,574 | 290,446 | (1,065,270) | - | 172,750 |
| Subscription | <u>523,972</u> | <u>491,880</u> | <u>(132,516)</u> | - | <u>883,336</u> |
| Total accumulated amortization | <u>1,790,290</u> | <u>912,884</u> | <u>(1,293,817)</u> | - | <u>1,409,357</u> |
| Governmental activities capital assets, net | <u>\$ 102,152,394</u> | | | | <u>\$ 107,294,589</u> |

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

| | |
|-----------------------------------|---------------------|
| General government | \$ 2,502,762 |
| Public safety | 3,812,798 |
| Transportation | 342,430 |
| Economic and physical development | 10,163 |
| Human services | 272,633 |
| Cultural and recreational | <u>665,985</u> |
| Total depreciation expense | <u>\$ 7,606,771</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2025</u> |
|--|---------------------------------------|------------------|--------------------|--|
| Business-Type Activities: | | | | |
| Airport: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 2,871,045 | \$ 41,637 | \$ - | \$ 2,912,682 |
| Construction in progress | <u>73,577</u> | <u>1,352,167</u> | <u>-</u> | <u>1,425,744</u> |
| Total non-depreciable capital assets | <u>2,944,622</u> | <u>1,393,804</u> | <u>-</u> | <u>4,338,426</u> |
| Depreciable Capital Assets: | | | | |
| Buildings | 14,260,617 | 8,315,755 | (46,533) | 22,529,839 |
| Other improvements | 16,014,133 | - | (4,693,088) | 11,321,045 |
| Equipment | 402,996 | - | (12,787) | 390,209 |
| Vehicles and motorized equipment | <u>69,431</u> | <u>-</u> | <u>-</u> | <u>69,431</u> |
| Total depreciable capital assets | <u>30,747,177</u> | <u>8,315,755</u> | <u>(4,752,408)</u> | <u>34,310,524</u> |
| Right-to-use Assets: | | | | |
| Lease equipment | 135,754 | - | - | 135,754 |
| Subscriptions | <u>8,054</u> | <u>19,454</u> | <u>-</u> | <u>27,508</u> |
| Total right-to-use assets | <u>143,808</u> | <u>19,454</u> | <u>-</u> | <u>163,262</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 5,665,654 | 791,461 | (46,533) | 6,410,582 |
| Other improvements | 11,847,435 | 464,815 | (4,691,513) | 7,620,737 |
| Equipment | 374,062 | 394 | - | 374,456 |
| Vehicles and motorized equipment | <u>49,391</u> | <u>22,342</u> | <u>(12,787)</u> | <u>58,946</u> |
| Total accumulated depreciation | <u>17,936,542</u> | <u>1,279,012</u> | <u>(4,750,833)</u> | <u>14,464,721</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2025</u> |
|---|---------------------------------------|------------------|------------------|--|
| Less Accumulated Amortization: | | | | |
| Lease equipment | 12,570 | 15,084 | - | 27,654 |
| Subscriptions | 1,972 | 9,351 | - | 11,323 |
| Total accumulated amortization | <u>14,542</u> | <u>24,435</u> | <u>-</u> | <u>38,977</u> |
| Airport business-type activities capital assets, net | <u>15,884,523</u> | | | <u>24,308,514</u> |
| Landfill: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 1,562,473 | \$ - | \$ - | \$ 1,562,473 |
| CIP | - | 942,583 | - | 942,583 |
| Total non-depreciable capital assets | <u>1,562,473</u> | <u>942,583</u> | <u>-</u> | <u>2,505,056</u> |
| Depreciable Capital Assets: | | | | |
| Buildings | 762,061 | - | - | 762,061 |
| Other improvements | 31,634,423 | - | (17,189) | 31,617,234 |
| Equipment | 3,350,250 | 955,887 | - | 4,306,137 |
| Vehicles and motorized equipment | 4,510,372 | 55,472 | (698,701) | 3,867,143 |
| Total depreciable capital assets | <u>40,257,106</u> | <u>1,011,359</u> | <u>(715,890)</u> | <u>40,552,575</u> |
| Right-to-use Assets: | | | | |
| Lease land | <u>13,778</u> | <u>-</u> | <u>-</u> | <u>13,778</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 446,611 | 24,920 | - | 471,531 |
| Other improvements | 20,321,875 | 1,762,492 | (17,189) | 22,067,178 |
| Equipment | 1,498,853 | 419,680 | - | 1,918,533 |
| Vehicles and motorized equipment | 4,194,649 | 234,151 | (698,701) | 3,730,099 |
| Total accumulated depreciation | <u>26,461,988</u> | <u>2,441,243</u> | <u>(715,890)</u> | <u>28,187,341</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | <u>Balance</u> <u>July 1, 2024</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>June 30, 2025</u> |
|--|---------------------------------------|------------------|------------------|--|
| Less Accumulated Amortization: | | | | |
| Lease land | 6,888 | 3,444 | - | 10,332 |
| Landfill business-type activities capital assets, net | <u>15,364,481</u> | | | <u>14,873,736</u> |
| Water: | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 2,270 | \$ - | \$ - | \$ 2,270 |
| Land improvements | 110,190 | - | - | 110,190 |
| Total non-depreciable capital assets | <u>112,460</u> | - | - | <u>112,460</u> |
| Depreciable Capital Assets: | | | | |
| Other improvements | <u>3,931,866</u> | - | - | <u>3,931,866</u> |
| Less Accumulated Depreciation: | | | | |
| Other improvements | <u>465,565</u> | 109,949 | - | <u>575,514</u> |
| Water business-type activities capital assets, net | <u>3,578,761</u> | | | <u>3,468,812</u> |
| Business-type activities capital assets, net | <u>\$ 34,827,765</u> | | | <u>\$ 42,651,062</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

b. Construction Commitments

The County has active construction projects as of June 30, 2025. At year-end, the County's commitments with contractors were as follows:

| <u>Project</u> | <u>Incurred- to-Date</u> | <u>Remaining Commitment</u> |
|---|------------------------------|---------------------------------|
| Rowan Salisbury Schools Knox Middle School Project | \$ 23,649,155 | \$ 31,350,845 |
| Rowan Salisbury Schools Roof Project | 7,834,132 | 8,168,787 |
| Rowan Salisbury Schools South Rowan Roof | 834,570 | 136,331 |
| Rowan Salisbury Schools South Rowan Window Design | 38,590 | 11,445 |
| Rowan Cabarrus Community College Architect Fees GO Bond | 2,587,962 | 1,912,038 |
| Rowan Cabarrus Community College Architect Fees Auto Building | 50,371 | 2,449,629 |
| West End Plaza Agriculture Center & Meeting Hall | 29,614,124 | 1,039,738 |
| West End Plaza Phase IV- Health Department Project | 4,156,366 | 15,339,839 |
| West End Plaza Phase V-Concourse & Exterior Sign | 42,498 | 313,652 |
| West End Plaza Phase VI-Relocation of County Departments | 15,500 | 50,180 |
| Library Carpet Project South Branch | - | 118,997 |
| Facilities Sewer Line | 1,700 | 71,200 |
| Detention Center Security Update | 124,875 | 1,752,103 |
| Gem Mine Repairs | - | 20,200 |
| Parks ADA Bathroom Project | 22,549 | 51,820 |
| Woodleaf Park Shelter | - | 35,529 |
| Airport Lighting Rehab | - | 212,641 |
| Airport Storage Building | 101,000 | 208,400 |
| Airport Localizer Replacement | 1,072,319 | 26,548 |
| Airport Glideslope Recabling & Antenna Replacement | - | 29,701 |
| Airport Generator | 252,425 | 60,200 |
| Airport Hangar Projects | 12,092,673 | 9,715,053 |
| Airport - ADA Bathroom project | 7,665 | 119,340 |
| Landfill - Recycle Center Roof | 26,025 | 29,775 |
| | <u>\$ 82,524,499</u> | <u>\$ 73,223,991</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2025 were as follows:

| | <u>Vendors</u> | <u>Salaries and Benefits</u> | <u>IBNR</u> | <u>Contracts and Retainage</u> | <u>Other</u> | <u>Total</u> |
|----------------------------------|----------------------|----------------------------------|---------------------|------------------------------------|---------------------|----------------------|
| Governmental Activities: | | | | | | |
| General | \$ 6,608,528 | \$ 1,144,122 | \$ 2,383,655 | \$ 14,098 | \$ 282,716 | \$ 10,433,119 |
| Other governmental | <u>5,823,173</u> | <u>2,626</u> | <u>531,090</u> | <u>2,611,212</u> | <u>2,329,206</u> | <u>11,297,307</u> |
| Total governmental activities | <u>\$ 12,431,701</u> | <u>\$ 1,146,748</u> | <u>\$ 2,914,745</u> | <u>\$ 2,625,310</u> | <u>\$ 2,611,922</u> | <u>\$ 21,730,426</u> |
| Business-type Activities: | | | | | | |
| Airport | \$ 890,271 | \$ 16,699 | \$ - | \$ 935,543 | \$ 214,185 | \$ 2,056,698 |
| Landfill | 409,037 | 111,532 | - | - | - | 520,569 |
| Water | <u>22,559</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,559</u> |
| Total business-type activities | <u>\$ 1,321,867</u> | <u>\$ 128,231</u> | <u>\$ -</u> | <u>\$ 935,543</u> | <u>\$ 214,185</u> | <u>\$ 2,599,826</u> |

2. Pension Plan and Other Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities, firefighters and rescue squad workers. 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 (ACFR) for the state of North Carolina. The state's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the state Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Benefits Provided. LGERS provides retirement, disability and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with unreduced retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

LGERS plan members who are LEOs are eligible to retire with unreduced 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 reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. 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 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 in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6 percent of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2025 was 15.10 percent of compensation for law enforcement officers and 13.60 percent for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$7,344,987 for the year ended June 30, 2025.

Refunds of Contributions. County employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members include interest (currently 4% per year) regardless of the number of years of retirement service credit or for the reason for separation from service. 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.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the County reported a liability of \$36,512,616 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension liability was based on a projection of the County’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the County’s proportion was 0.541 percent, (measured as of June 30, 2024) which was a decrease of 0.001 percent from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of \$10,998,280. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 6,398,393 | \$ 43,020 |
| Net difference between projected and actual earnings on pension plan investments | 4,963,868 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 177,438 | 273,908 |
| County's contributions subsequent to the measurement date | <u>7,344,987</u> | <u>-</u> |
| Total | <u>\$ 18,884,686</u> | <u>\$ 316,928</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

\$7,344,987 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, 2026. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Total</u> |
|--------------------------------|----------------------|
| 2026 | \$ 3,467,016 |
| 2027 | 7,175,291 |
| 2028 | 1,141,737 |
| 2029 | <u>(561,273)</u> |
| Total | <u>\$ 11,222,771</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation, with the exception of the discount rate, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions and methods used in the December 31, 2023 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class as of June 30, 2024 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|------------------------------|---|
| Fixed income | 33.0% | 2.4% |
| Global equity | 38.0% | 6.9% |
| Real estate | 8.0% | 6.0% |
| Alternatives | 8.0% | 8.6% |
| Opportunistic fixed income | 7.0% | 5.3% |
| Inflation sensitive | <u>6.0%</u> | 4.3% |
| Total | <u>100%</u> | |

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38 percent. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

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

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|--|------------------------------------|--------------------------------------|------------------------------------|
| County's proportionate share of the net pension liability (asset) | <u>\$ 64,701,425</u> | <u>\$ 36,512,616</u> | <u>\$ 13,323,444</u> |

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

b. Law Enforcement Officers' Special Separation Allowance

Plan Description. The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2024, the Separation Allowance's membership consisted of:

| Law Enforcement Officers' Special Separation Allowance | |
|---|-------------------|
| Retirees receiving benefits | 30 |
| Active plan members | <u>112</u> |
| Total | <u><u>142</u></u> |

A separate report was not issued for the plan.

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Summary of Significant Accounting Policies:

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

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the June 30, 2024 valuation. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|---|
| Inflation | 2.50 percent |
| Projected salary increases | 3.25 percent, including inflation and productivity factor |
| Discount rate | 4.28 percent |

The discount rate used to measure the total pension liability is the 20-year bond rate from the S & P Municipal Bond 20 Year High Grade Rate index on December 31, 2024.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period January 1, 2015 through December 31, 2019.

Deaths Before Retirement: Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019.

Deaths After Retirement (Healthy): Pub-2010 Safety Retirees Mortality Table projected generationally using MP-2019. The male and female rates are set forward 1 year and adjusted by 97% for all ages.

Deaths After Retirement (Disabled): Pub-2010 General Disabled Retirees Mortality Table projected generationally using MP-2019. The male and female rates are set back 3 years.

Contributions. The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay-as-you-go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. The County paid \$420,150 as benefits came due for the reporting period.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the County reported a total pension liability of \$5,177,445. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. The total pension liability was rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expense of \$573,429.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Benefit payments and administrative costs subsequent to measurement date | \$ 208,890 | \$ - |
| Difference between expected and actual experience | 223,348 | 35,573 |
| Changes of assumptions and other inputs | <u>222,537</u> | <u>523,498</u> |
| Total | <u>\$ 654,775</u> | <u>\$ 559,071</u> |

\$208,890 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, 2026. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Total |
|--------------------------------|---------------------|
| 2026 | \$ 1,485 |
| 2027 | (113,330) |
| 2028 | (13,336) |
| 2029 | 11,995 |
| Total | <u>\$ (113,186)</u> |

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Sensitivity of the County's Total Pension Liability to Changes in the Discount Rate. The following presents the County's total pension liability calculated using the discount rate of 4.28 percent, as well as what the County's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.28 percent) or one percentage point higher (5.28 percent) than the current rate:

| | <u>1%</u> <u>Decrease</u> <u>(3.28%)</u> | <u>Discount</u> <u>Rate</u> <u>(4.28%)</u> | <u>1%</u> <u>Increase</u> <u>(5.28%)</u> |
|-------------------------|--|--|--|
| Total pension liability | \$ 5,533,534 | \$ 5,177,445 | \$ 4,852,850 |

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

| | |
|---|---------------------|
| Beginning balance | \$ 5,189,916 |
| Service cost | 199,515 |
| Interest on the total pension liability | 187,575 |
| Difference between expected and actual experience | 197,564 |
| Changes of assumptions and other inputs | (176,975) |
| Benefit payments made | <u>(420,150)</u> |
| Net change in total pension liability | <u>(12,471)</u> |
| Ending balance of the total pension liability | <u>\$ 5,177,445</u> |

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 3.77 percent at December 31, 2023 (measurement date) to 4.28 percent at December 31, 2024 (measurement date).

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

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the state

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the County to contribute each -month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan.

The County contributed \$404,332 for the reporting year. No amounts were forfeited.

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

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

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

The County contributed \$1,232,281 for the reporting year. No amounts were forfeited.

e. Registers of Deeds' Supplemental Pension Fund

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

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Benefits Provided. An individual’s benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual’s eligibility is based on at least 10 years of service as a register of deeds with the individual’s share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed. The plan does not provide for automatic post-retirement benefit increases.

Contributions. Benefits and administrative expenses are funded by investment income and 1.5 percent of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary’s required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$13,805 for the year ended June 30, 2025.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the County reported an asset of \$167,570 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on the County’s share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2025, the County’s proportion was 1.45 percent (measured as of June 30, 2024), which was a decrease of 0.01 percent from its proportion measured as of June 30, 2024 (measured as of June 30, 2023.)

For the year ended June 30, 2025, the County recognized pension expense of \$25,719. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 3,679 | \$ 2,996 |
| Net difference between projected and actual earnings on pension plan investments | 64,713 | - |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 1,172 | 7,770 |
| County's contributions subsequent to the measurement date | <u>13,805</u> | <u>-</u> |
| Total | <u>\$ 83,369</u> | <u>\$ 10,766</u> |

ROWAN COUNTY, NORTH CAROLINA
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\$13,805 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, 2026. Other amounts reported as deferred inflows or outflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30 | Total |
|--------------------------------|------------------|
| 2026 | \$ 24,227 |
| 2027 | 28,463 |
| 2028 | 5,875 |
| 2029 | 233 |
| Total | <u>\$ 58,798</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience review for LGERS for the period January 1, 2015 through December 31, 2019.

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

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The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income returns projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple-year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 99.8% 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, 2024 is 2.4%.

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38 percent. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

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

| | <u>Decrease</u> <u>(2.00%)</u> | <u>Rate</u> <u>(3.00%)</u> | <u>Increase</u> <u>(4.00%)</u> |
|--|-----------------------------------|-------------------------------|-----------------------------------|
| County's proportionate share of the net pension liability (asset) | \$ (111,030) | \$ (167,570) | \$ (215,195) |

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

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

The net pension liability for LGERS and ROD was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024. The total pension liability for LEOSSA was measured as of December 31, 2024, with an actuarial valuation date of June 30, 2024. The County’s proportion of the net pension liability was based on the County’s share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>LGERS</u> | <u>LEOSSA</u> | <u>ROD</u> | <u>Total</u> |
|--|---------------|---------------|--------------|---------------|
| Proportionate share of net pension liability (asset) | \$ 36,512,616 | N/A | \$ (167,570) | \$ 36,345,046 |
| Proportion of the net pension liability (asset) | 0.541% | N/A | -1.45% | - |
| Total pension liability | N/A | \$ 5,177,445 | N/A | \$ 5,177,445 |
| Pension expense | \$ 10,998,280 | \$ 573,429 | \$ 25,719 | \$ 11,597,428 |

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At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Outflows of Resources | LGERS | LEOSSA | ROD | Total |
|---|----------------------|-------------------|------------------|----------------------|
| Differences between expected and actual experience | \$ 6,398,393 | \$ 223,348 | \$ 3,679 | \$ 6,625,420 |
| Changes of assumptions | - | 222,537 | - | 222,537 |
| Net difference between projected and actual earnings on pension plan investments | 4,963,868 | - | 64,713 | 5,028,581 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | 177,438 | - | 1,172 | 178,610 |
| County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date | <u>7,344,987</u> | <u>208,890</u> | <u>13,805</u> | <u>7,567,682</u> |
| Total deferred outflows of resources | <u>\$ 18,884,686</u> | <u>\$ 654,775</u> | <u>\$ 83,369</u> | <u>\$ 19,622,830</u> |
| | | | | |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | \$ 43,020 | \$ 35,573 | \$ 2,996 | \$ 81,589 |
| Changes of assumptions | - | 523,498 | - | 523,498 |
| Changes in proportion and differences between County contributions and proportionate share of contributions | <u>273,908</u> | <u>-</u> | <u>7,770</u> | <u>281,678</u> |
| Total deferred inflows of resources | <u>\$ 316,928</u> | <u>\$ 559,071</u> | <u>\$ 10,766</u> | <u>\$ 886,765</u> |

g. Healthcare Benefits Plan

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

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Membership of the HCB Plan consisted of the following at June 30, 2024, the date of the latest actuarial valuation:

| | |
|--|-------------------|
| Retirees and dependents receiving benefits | 63 |
| Active members | <u>153</u> |
| Total | <u><u>216</u></u> |

Total OPEB Liability

The County's total OPEB liability of \$11,482,896 was measured as of June 30, 2024 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2024 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% |
| Payroll growth | 3.25% |
| Salary increases | |
| General employees | 3.30%-8.30% |
| Firefighters | 3.30%-8.00% |
| Law enforcement officers | 3.30%-7.80% |
| Municipal Bond Index Rate: | |
| Prior measurement date | 3.86% |
| Measurement date | 4.21% |
| Healthcare cost trend rates: | |
| Pre-Medicare medical and prescription drug | 8.00% for 2024 decreasing to an ultimate rate of 4.50% by 2033 |

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Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|---------------------------------|
| Balance at July 1, 2024 | <u>\$ 11,871,607</u> |
| Changes for the Year: | |
| Service cost | 270,314 |
| Interest | 441,898 |
| Differences between expected and actual experience | (741,354) |
| Changes of assumptions or other inputs | 237,444 |
| Benefit payments | <u>(597,013)</u> |
| Net changes | <u>(388,711)</u> |
| Balance at June 30, 2025 | <u><u>\$ 11,482,896</u></u> |

The discount rate used to measure the total OPEB liability is the 20 year bond rate from the S & P Municipal Bond 20 year High Grade Rate index on June 30, 2024.

Changes in assumptions and other inputs reflect a change in the discount rate from 3.86 percent to 4.21 percent, and the decremental and salary increase assumptions have been updated based on the most recent NCLGERS experience analysis and change in discount rate.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board. The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2024 valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.21 percent) or one-percentage-point higher (5.21 percent) than the current discount rate:

| | 1% Decrease (3.21%) | Discount Rate (4.21%) | 1% Increase (5.21%) |
|----------------------|------------------------------------|--------------------------------------|------------------------------------|
| Total OPEB liability | <u>\$ 12,131,312</u> | <u>\$ 11,482,896</u> | <u>\$ 10,873,970</u> |

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

| | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
|----------------------|------------------------|----------------|------------------------|
| Total OPEB liability | \$ 10,806,255 | \$ 11,482,896 | \$ 12,226,402 |

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

For the year ended June 30, 2025, the County recognized OPEB expense of \$698,419. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 4,625 | \$ 795,547 |
| Changes of assumptions | 416,807 | 352,550 |
| Benefit payments and plan administrative expense made subsequent to the measurement date | 616,501 | - |
| Total | <u>\$ 1,037,933</u> | <u>\$ 1,148,097</u> |

\$616,501 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, 2026. Other amounts reported as deferred inflows and outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30</u> | <u>Total</u> |
|--------------------------------|---------------------|
| 2026 | \$ (312,779) |
| 2027 | (320,498) |
| 2028 | (93,388) |
| Total | <u>\$ (726,665)</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

3. Other Employment Benefits

Under the terms of a County resolution, the County provides death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (LGERS) (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the LGERS or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the LGERS at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest -months' salary in a row during the 24 -months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. Because all death benefit payments are made from the Death Benefit Plan and not by the County, the County does not determine the number of eligible participants. The County has no liability beyond the payment of -monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of -monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The County considers these contributions to be immaterial.

Under the terms of a County resolution, the County provides death and dismemberment benefits to employees through the Standard Insurance Company. The beneficiaries of those employees who die in active service after the first day of the -month following their thirtieth day of employment are eligible for death benefits. A lump-sum benefit payment of \$32,000 is paid to the employee's chosen beneficiary. Employees who sustain an accidental bodily injury resulting in certain losses of limbs and/or sight are eligible for dismemberment benefits. A lump-sum benefit payment not to exceed \$32,000 is paid to the insured employee. All benefit payments are made by Standard Insurance Company. The County has no liability beyond the payment of -monthly contributions. For the fiscal year ended June 30, 2025, the County made contributions to Standard Insurance Company totaling \$39,883.

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

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

State and federal laws and regulations require the County to place a final cover on its landfill facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$19,224,492 reported as landfill closure and post-closure care liability at June 30, 2025 represents a cumulative amount reported to-date, based on the use of 70 percent of the total estimated capacity of the current landfill cells. The County will recognize the remaining estimated cost of closure, post-closure care and potential assessment and corrective action of \$7,053,161 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2025. The County expects to close the landfill facility, including all current and future cells, in the year 2081. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

5. Deferred Outflows and Inflows of Resources

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Pensions - difference between expected and actual experience | \$ 6,625,420 | \$ 81,589 |
| Pensions - difference between projected and actual investment earnings | 5,028,581 | - |
| Pensions - change in proportion and difference between employer contributions and proportionate share of contributions | 178,610 | 281,678 |
| Pensions - change of assumptions | 222,537 | 523,498 |
| Contributions to pension plan | 7,358,792 | - |
| Benefit payments and administration costs paid subsequent to the measurement date (LEOSSA) | 208,890 | - |
| OPEB - difference between expected and actual experience | 4,625 | 795,547 |
| OPEB - change of assumptions | 416,807 | 352,550 |
| Benefit payments and plan administrative expense made subsequent to the measurement date (OPEB) | 616,501 | - |
| Prepaid taxes not yet earned (General Fund) | - | 219,346 |
| General Fund lease deferrals | - | 620,888 |
| Airport lease deferrals | - | 109,830 |
| Government-wide deferred outflows and inflows of resources | 20,660,763 | 2,984,926 |
| Taxes receivable, net (General Fund) | - | 3,451,663 |
| Taxes receivable, net (Special Revenue Fund) | - | 458,314 |
| Ambulance receivable, net (General Fund) | - | 157,044 |
| Opioid settlement receivable, net (Special Revenue Fund) | - | 15,847,772 |
| Total | <u>\$ 20,660,763</u> | <u>\$ 22,899,719</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

6. Risk Management

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates in two self-funded risk-financing pools administered by the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$255 million; professional and employment practices liability coverage subject to a limit of \$2.0 million per occurrence; general and auto liability coverage of \$2.0 million per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of \$250,000 per occurrence, excess liability coverage of \$3.0 million; and workers' compensation coverage up to the North Carolina statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of a \$750,000 retention up to a \$2.0 million limit for liability coverage, and \$2,500,000 of each loss in excess of a \$500,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of \$750,000.

As part of the County's blanket property coverage, the County carries flood insurance with an annual aggregate limit of \$255 million. The flood insurance has a \$25,000 per structure deductible. The County currently has no structures located within an area that has been mapped and designated.

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

In accordance with G.S. 159-29, County employees that have access to \$100 or more of the County's funds at any given time are performance bonded through a commercial surety bond. The Finance Director, Tax Collector, Register of Deeds, and Sheriff are individually bonded for \$1,000,000, \$200,000, \$50,000 and \$25,000, respectively. The remaining employees who have access to funds are bonded under a blanket crime coverage policy, with a \$250,000 per loss limit.

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

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

are another component of the claims liability estimate. The County’s Risk Manager and third-party administrators believe that the liabilities of the fund at June 30, 2025 will be paid within the next 12 -months.

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

| | <u>Workers' Compensation</u> | | <u>Health Insurance</u> | |
|---|------------------------------|-------------------|---------------------------|---------------------|
| | <u>Year Ended June 30</u> | | <u>Year Ended June 30</u> | |
| | <u>2025</u> | <u>2024</u> | <u>2025</u> | <u>2024</u> |
| Unpaid claims, beginning of fiscal year | \$ 535,758 | \$ 521,337 | \$ 6,151,563 | \$ 4,251,264 |
| Incurred claims (including IBNRs) | 608,165 | 1,029,952 | 5,118,188 | 13,496,575 |
| Claim payments | (612,833) | (1,015,531) | (8,886,096) | (11,596,276) |
| Unpaid claims, end of fiscal year | <u>\$ 531,090</u> | <u>\$ 535,758</u> | <u>\$ 2,383,655</u> | <u>\$ 6,151,563</u> |

7. Contingent Liabilities

At June 30, 2025, the County was a defendant to various lawsuits. In the opinion of County management and the County attorney, the ultimate outcome of these legal matters will not have a material adverse effect on the County’s financial position.

8. Long-term Obligations

a. Lease Liabilities

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

As of June 30, 2025, Rowan County had 18 active leases. The leases have payments that range from \$167 to \$270,703 and interest rates that range from 0.6860% to 3.3050%. As of June 30, 2025, the total combined value of the lease liability is \$391,208, and the total combined short-term lease liability is \$133,571. The combined value of the right to use asset as of June 30 2025 of \$949,312 with accumulated depreciation of \$564,007 is included in County’s capital assets.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

| Year Ending June 30 | Governmental Activities | | | Business-Type Activities | | |
|------------------------|-------------------------|-----------------|-------------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2026 | \$ 122,345 | \$ 2,271 | \$ 124,616 | \$ 11,226 | \$ 11,374 | \$ 22,600 |
| 2027 | 117,910 | 1,012 | 118,922 | 19,179 | 3,621 | 22,800 |
| 2028 | 7,503 | 191 | 7,694 | 19,769 | 3,031 | 22,800 |
| 2029 | 4,140 | 59 | 4,199 | 20,377 | 2,423 | 22,800 |
| 2030 | - | - | - | 21,004 | 1,796 | 22,800 |
| 2031-2035 | - | - | - | 47,755 | 1,647 | 49,402 |
| Total | <u>\$ 251,898</u> | <u>\$ 3,533</u> | <u>\$ 255,431</u> | <u>\$ 139,310</u> | <u>\$ 23,892</u> | <u>\$ 163,202</u> |

b. Subscription Liabilities

As of June 30, 2025, Rowan County had 18 active subscriptions. The subscriptions have payments that range from \$760 to \$392,922 and interest rates that range from 2.0240% to 3.3050%. As of June 30, 2025, the total combined value of the subscription liability is \$1,072,328, and the total combined short-term subscription liability is \$504,197. The combined value of the right to use asset as of June 30 2025 of \$2,114,630 with accumulated depreciation of \$894,659 is included in County's capital assets.

The future minimum subscription obligations and the net present value of these minimum subscription payments as of June 30, 2025 were as follows:

| Year Ending June 30 | Governmental Activities | | | Business-Type Activities | | |
|------------------------|-------------------------|------------------|---------------------|--------------------------|---------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2026 | \$ 495,240 | \$ 28,464 | \$ 523,704 | \$ 8,957 | \$ 295 | \$ 9,252 |
| 2027 | 491,444 | 14,668 | 506,112 | 5,032 | 50 | 5,082 |
| 2028 | 46,327 | 1,343 | 47,670 | 76 | - | 76 |
| 2029 | 25,252 | 319 | 25,571 | - | - | - |
| Total | <u>\$ 1,058,263</u> | <u>\$ 44,794</u> | <u>\$ 1,103,057</u> | <u>\$ 14,065</u> | <u>\$ 345</u> | <u>\$ 14,410</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

c. General Obligation Indebtedness

All general obligation bonds serviced by the County’s General Fund are collateralized by the full faith, credit and taxing power of the County. The bonds bear interest, payable semi-annually, at rates varying from 2.0 percent to 3.0 percent. Principal and interest payments are appropriated when due.

The County’s general obligation bonds payable at June 30, 2025 are comprised of the following individual issues:

\$12,000,000 2011 community college serial bonds due on December 1 in installments ranging from \$400,000 to \$830,000 through December 2026; interest ranging from 2.0% to 3.0%. \$ 1,650,000

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

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|------------------|---------------------|
| 2026 | \$ 825,000 | \$ 37,125 | \$ 862,125 |
| 2027 | 825,000 | 12,375 | 837,375 |
| Total | <u>\$ 1,650,000</u> | <u>\$ 49,500</u> | <u>\$ 1,699,500</u> |

d. Limited Obligation Bonds

The County issued Series 2024 Limited Obligation Bonds in September 2024. As security for the 2024 bonds, the County will execute and deliver a deed of trust granting, among other things, a lien of record on the mortgaged property subject to permitted encumbrances. The bonds will be issued to fund the construction and equipping of a new school for grades 3-8 in the Rowan-Salisbury School System (the “New School Project”), the design, construction and equipping of roofing projects at various schools within the Rowan-Salisbury School System, and the construction and equipping of an addition to Fred L. Wilson Elementary School of the Kannapolis City Schools, and pay certain costs incurred in connection with the issuance and sale of the 2024 bonds.

The County’s limited obligation bonds payable at June 30, 2025, are comprised of the following individual issues:

\$67,395,000 2024 limited obligation bonds due on April 1 in installments ranging from \$3,360,000 to \$3,375,000 through April 2044; interest ranging from 4.0% to 5.0%. \$64,035,000

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

| Year Ending | | | |
|--------------------|----------------------|----------------------|----------------------|
| June 30 | Principal | Interest | Total |
| 2026 | \$ 3,375,000 | \$ 2,966,250 | \$ 6,341,250 |
| 2027 | 3,375,000 | 2,797,500 | 6,172,500 |
| 2028 | 3,375,000 | 2,628,750 | 6,003,750 |
| 2029 | 3,375,000 | 2,460,000 | 5,835,000 |
| 2030 | 3,375,000 | 2,291,250 | 5,666,250 |
| 2031-2035 | 16,870,000 | 8,925,000 | 25,795,000 |
| 2036-2040 | 16,835,000 | 4,811,700 | 21,646,700 |
| 2041-2045 | <u>13,455,000</u> | <u>1,345,200</u> | <u>14,800,200</u> |
| Total | <u>\$ 64,035,000</u> | <u>\$ 28,225,650</u> | <u>\$ 92,260,650</u> |

At June 30, 2025, Rowan County had a legal debt margin of approximately \$1,525,610,000.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

e. Installment Purchase Agreements

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

Installment purchase agreements at June 30, 2025 involve separate agreements as described below:

Serviced by the General Fund:

| | |
|--|--------------|
| \$6,500,000, 2015 direct placement installment purchase agreement for construction of a central office building for the Rowan-Salisbury School System, payable on August 1 and February 1 in installments of \$232,143 through February 2030, plus interest at 2.48%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) exercise all remedies available at law or in equity under the Deed of Trust, including sale of property with proceeds used to cover costs and remaining principal balance, (3) enforce applicable covenants of the agreement or recover for the breach thereof. | \$ 2,321,429 |
| \$2,500,000, 2015 direct placement installment purchase agreement for HVAC and dental renovations at Rowan-Cabarrus Community College, payable on April 1 and October 1 in installments of \$125,000 through October 2025, plus interest at 2.45%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) repossess any or all of the equipment and use proceeds to cover all costs and applying the remainder of the proceeds to the amount owed, (3) take any other remedy available, at law or in equity. | 124,917 |
| \$6,500,000, 2017 direct placement installment purchase agreement for various roof renovations and security improvements for the Rowan-Salisbury School System, payable on September 1 and March 1 in installments of \$325,000 through March 2027, plus interest at 2.40%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property. | 1,300,000 |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | |
|---|-------------------|
| <p>\$27,500,000, 2017 direct placement installment purchase agreement for construction of an elementary school, payable on September 1 and March 1 in installments of \$1,309,524 through September 2029, plus interest at 2.21%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Deed of Trust, Uniform Commercial Code of North Carolina and the general laws of North Carolina, (4) take possession of any proceeds of the collateral property.</p> | <p>11,785,713</p> |
| <p>\$7,100,000, 2020 direct placement installment purchase agreement for the purchase of improvements at Rowan-Cabarrus Community College and HVAC improvements in Rowan-Salisbury Schools, payable on December 1 and June 1 in installments of \$355,000 through June 2029, plus interest at 2.08%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) enforce applicable covenants of the agreement or recover for the breach thereof, (3) exercise all rights of enforcement of the security interest provided under the Uniform Commercial Code of North Carolina (4) take possession of proceeds of the Property, including Net Proceeds, (5) pursue any other remedy available at law or equity.</p> | <p>2,840,000</p> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
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\$7,998,000, 2023 direct placement installment purchase agreement for the purchase of real property, payable on October 1 and April 1 in installments of \$1,600,000 through October 2027, including interest at 3.540%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) declare the unpaid principal components of the installment payments immediately due and payable, (2) proceed by appropriate court action to enforce the Borrower's performance of the applicable covenants of this Contract or to recover for the breach thereof, (3) pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner Lender may reasonably deem appropriate, (4) avail itself of all available remedies under this Contract, including execution and recovery of attorneys' fees and other expenses.

4,798,000

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

24,786,000

Total \$ 47,956,059

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

Serviced by the Airport Fund:

\$2,400,000, 2016 direct placement installment purchase agreement for construction of a hangar payable on August 1 and February 1 in installments of \$141,099 through February 2026, including interest at 3.40%, secured by real property. The agreement contains provisions that an event of default would allow the Lender to have the right to any of the following remedies: (1) all amounts becoming immediately due and payable, (2) take possession of and sell the property, with the proceeds being used to cover costs and then being applied to the amount owed, (3) enforce applicable covenants of the agreement or recover for the breach thereof.

\$ 275,144

\$9,311,000, 2023 direct placement installment purchase agreement for construction of new airport hangars payable on June 1 and December 1 in installments ranging from \$1,259, 600 to \$1,270,128 until June of 2033, including interest at 4.390%, secured by real property. The agreement contains provisions that an event of default would allow the lender to have the right to any of the following remedies: (1) all amounts become immediately due and payable, (2) exercise all remedies available at law or in equity or under the Security agreement, including sale of the equipment, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of installment payments due; and (4) subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of this contract or to recover for the breach thereof.

7,546,000

\$8,127,000, 2023 direct placement installment purchase agreement for construction of new airport hangars payable on June 1 and December 1 in installments of interest only beginning of December 2023 and then installments ranging from \$1,554,000 to \$1,554,800 until June of 2038, including interest at 3.620%, secured by real property. The agreement contains provisions that an event of default would allow the lender to have the right to any of the following remedies: (1) all amounts become immediately due and payable, (2) exercise all remedies available at law or in equity or under the Security agreement, including sale of the equipment, and apply the proceeds of any such sale or other disposition, after deducting all costs and expenses, including court costs and reasonable attorneys' fees incurred with the recovery, repair, storage and other sale or other disposition costs, toward the principal component and accrued and unpaid interest of the balance of installment payments due; and (4) subject to the enforcement limitation, proceed by appropriate court action to enforce performance by the County of the applicable covenants of this contract or to recover for the breach thereof.

8,127,000

Total

\$ 15,948,144

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

| Year Ending June 30 | Governmental Activities | | Business-type Activities | |
|--------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 8,075,250 | \$ 1,419,700 | \$ 1,204,805 | \$ 632,579 |
| 2027 | 7,949,333 | 1,191,939 | 970,000 | 584,684 |
| 2028 | 7,299,333 | 969,595 | 1,012,000 | 542,101 |
| 2029 | 5,700,333 | 787,285 | 1,057,000 | 497,674 |
| 2030 | 3,680,810 | 636,970 | 1,103,000 | 451,272 |
| 2031-2035 | 9,533,000 | 2,041,540 | 6,257,000 | 1,513,994 |
| 2036-2040 | 5,718,000 | 408,265 | 4,344,339 | 318,307 |
| Total | \$ 47,956,059 | \$ 7,455,294 | \$ 15,948,144 | \$ 4,540,611 |

f. Debt Related to Capital Activities

Of the June 30, 2025 *total governmental activities* debt of \$120,321,972 listed on the next page, only \$30,894,160 relates to assets to which the County holds title, or has the right to use the lease and subscription assets. The remaining debt of \$89,427,812 related to acquisition and construction of school buildings and property for which the County does not hold title or have constructive ownership and rights to the use of the assets.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

g. Long-term Obligation Activity

The following is a summary of changes in the County's long-term obligations for the fiscal year ended June 30, 2025:

| | July 1, 2024, Restated | Increases | Decreases | Balance June 30, 2025 | Current Portion |
|--|---------------------------|----------------------|------------------------|--------------------------|----------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 2,475,000 | \$ - | \$ (825,000) | \$ 1,650,000 | \$ 825,000 |
| Plus: Premium on issuance | 18,506 | - | (13,230) | 5,276 | 5,276 |
| Total general obligation debt | <u>2,493,506</u> | <u>-</u> | <u>(838,230)</u> | <u>1,655,276</u> | <u>830,276</u> |
| Limited obligation bonds | - | 67,395,000 | (3,360,000) | 64,035,000 | 3,375,000 |
| Plus: Premium on issuance | - | 5,647,870 | (282,394) | 5,365,476 | 282,394 |
| Total limited obligation debt | <u>-</u> | <u>73,042,870</u> | <u>(3,642,394)</u> | <u>69,400,476</u> | <u>3,657,394</u> |
| Direct placement installment purchase agreements | 56,485,307 | - | (8,529,248) | 47,956,059 | 8,075,250 |
| Lease liabilities | 651,048 | 48,267 | (447,417) | 251,898 | 122,345 |
| Subscription liabilities | 283,234 | 1,367,180 | (592,151) | 1,058,263 | 495,240 |
| Compensated absences * | 8,132,649 | - | (135,536) | 7,997,113 | 1,850,555 |
| Net pension liability (LRS) | 34,379,745 | 533,619 | - | 34,913,364 | - |
| Total pension liability (LEOSSA) | 5,189,916 | - | (12,471) | 5,177,445 | 420,150 |
| Total OPEB liability | <u>11,548,295</u> | <u>-</u> | <u>(378,410)</u> | <u>11,169,885</u> | <u>598,100</u> |
| Total governmental activities | <u>\$ 119,163,700</u> | <u>\$ 74,991,936</u> | <u>\$ (14,575,857)</u> | <u>\$ 179,579,779</u> | <u>\$ 16,049,310</u> |
| Business-Type Activities: | | | | | |
| Airport: | | | | | |
| Direct placement installment purchase agreements | \$ 17,103,883 | \$ - | \$ (1,155,739) | \$ 15,948,144 | \$ 1,204,805 |
| Lease liabilities | 135,754 | - | - | 135,754 | 7,670 |
| Subscription liabilities | 2,710 | 19,454 | (8,099) | 14,065 | 8,957 |
| Compensated absences * | 41,242 | - | (16,115) | 25,127 | 11,131 |
| Net pension liability (LRS) | 179,773 | 2,790 | - | 182,563 | - |
| Total OPEB liability | <u>15,050</u> | <u>-</u> | <u>(661)</u> | <u>14,389</u> | <u>1,200</u> |
| Total airport activities | <u>17,478,412</u> | <u>22,244</u> | <u>(1,180,614)</u> | <u>16,320,042</u> | <u>1,233,763</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

| | July 1, 2024, Restated | Increases | Decreases | Balance June 30, 2025 | Current Portion |
|--|---------------------------|---------------------|-----------------------|--------------------------|---------------------|
| Landfill: | | | | | |
| Accrued landfill closure and post-closure care costs | 18,085,133 | 1,139,359 | - | 19,224,492 | - |
| Lease liabilities | 7,032 | - | (3,476) | 3,556 | 3,556 |
| Compensated absences * | 257,262 | - | (25,682) | 231,580 | 71,338 |
| Net pension liability (LGERS) | 1,395,036 | 21,653 | - | 1,416,689 | - |
| Total OPEB liability | <u>308,262</u> | <u>-</u> | <u>(9,640)</u> | <u>298,622</u> | <u>15,400</u> |
| Total landfill activities | <u>20,052,725</u> | <u>1,161,012</u> | <u>(38,798)</u> | <u>21,174,939</u> | <u>90,294</u> |
| Total business-type activities | <u>\$ 37,531,137</u> | <u>\$ 1,183,256</u> | <u>\$ (1,219,412)</u> | <u>\$ 37,494,981</u> | <u>\$ 1,324,057</u> |

*-The change in compensated absences above is a net change for the year.

Pension liabilities and other post-employment liabilities for governmental activities typically have been liquidated in the General Fund.

h. Conduit Debt Obligations

Rowan County Industrial Facilities and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the state, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2025, there were no industrial revenue bonds outstanding.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

C. Interfund Activity

Transfers to/from other funds for the year ended June 30, 2025 consist of the following:

| <u>Purpose</u> | <u>Amount</u> |
|--|-----------------------------|
| From the General Fund to the Emergency Telephone System Fund to reconcile 2024 ETSF | \$ 1,965 |
| From the General Fund to the RCCC Facilities Capital Project Fund for building expenditures | 2,500,000 |
| From the General Fund to the Airport Fund to provide funds for capital projects and airport operations | 2,144,825 |
| From the General Fund to the Risk Management Fund for professional and property liability costs | 720,107 |
| From the General Fund to the West End Plaza Capital Project Fund for grant capital expenditures | 8,168,636 |
| From the General Fund to the Farmland Preservation Fund to establish fund | 79,716 |
| From the General Fund to the Water fund for indirect costs | 442,398 |
| From the Public Schools fund to the General Fund to cover prepaid expenditures for capital projects | 3,753,543 |
| From the ARPA Fund to the West End Plaza Capital Project Fund for grant capital expenditures | 3,453,944 |
| From the ARPA Fund to the General Fund for grant expenditures | 560,433 |
| From the ARPA Fund to the Water Fund for grant expenditures | 5,618 |
| Total | <u>\$ 21,831,185</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

D. Fund Balance

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

| | |
|---|-----------------------|
| Total fund balance - General Fund | <u>\$ 177,949,477</u> |
| Less: | |
| Non-spendable: | |
| Inventories | 65,648 |
| Prepays | 25,245 |
| Leases | 17,705 |
| Restricted: | |
| Stabilization by state statute | <u>25,836,410</u> |
| | <u>25,945,008</u> |
| Fund balance, available for appropriation | <u>152,004,469</u> |
| Less: | |
| Restricted: | |
| Education capital | 5,658,173 |
| Law enforcement | 222,600 |
| Register of Deeds | 17,052 |
| Committed: | |
| Public safety | 93,706 |
| Future capital projects | 3,740,188 |
| Tax revaluation | 828,817 |
| Assigned: | |
| Subsequent year's expenditures | 11,527,163 |
| Agriculture extension | 65,613 |
| Animal services | 21,853 |
| Nature center | 2,721 |
| Economic development | 7,593,682 |
| Emergency services | 59,130 |
| Health | 382,470 |
| Information technology | 15,430 |
| Law enforcement | 74,786 |
| Libraries | 80,096 |
| Planning | 31,416 |
| Social services | 4,179,464 |
| Soil and water | <u>2,868</u> |
| | <u>34,597,228</u> |
| Fund balance, unassigned | <u>\$ 117,407,241</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

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

| | |
|--------------|-------------------------|
| | General Fund |
| Encumbrances | <u>\$ 6,502,683</u> |

NOTE 3 - JOINT VENTURES

The County participates in a joint venture to operate Vaya Health (formally Cardinal Innovations Healthcare Solutions) with four other local governments. Each participating government appoints four board members to the twenty-member board. The County has an ongoing financial responsibility for the joint venture because Vaya Health’s continued existence depends on the participating governments’ continued funding. None of the participating governments have any equity interest in Vaya Health, so no equity interest has been reflected in the financial statements at June 30, 2025. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$492,000 to Vaya Health to supplement its activities. Complete financial statements for Vaya Health may be obtained from their administrative offices at 200 Ridgely Court, Suite 206, Asheville, NC 28806.

The County, in conjunction with the State of North Carolina, Rowan-Cabarrus Community College and Cabarrus County, participates in a joint venture to operate the Rowan-Cabarrus Community College. Each of the four participants, except Cabarrus County who only appoints two members, appoints four members of the fifteen-member board of trustees of the community college. The president of the community college’s student government association serves as a non-voting, *ex officio* member of the board of trustees. The community college is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college’s operations. In addition to providing annual appropriations for the facilities, the County periodically issues debt to provide financing for new and restructured facilities. The amount outstanding on debt issued for this purpose was \$2,014,917 at June 30, 2025. 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 \$300,000 and \$3,178,636 to the community college for capital and operating purposes, respectively, during the fiscal year ended June 30, 2025. In addition, the County made debt service payments of \$1,210,644 during the fiscal year on debt issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County’s financial statements at June 30, 2025. Complete financial statements for the community college may be obtained from the community college’s administrative offices at P.O. Box 1595, Salisbury, NC 28145.

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 4 - JOINTLY GOVERNED ORGANIZATION

The County, in conjunction with eight other counties and 74 municipalities, established the Centralina Council of Governments (Council). The participating governments established the Council to coordinate various funding received from federal and state agencies. Each participating government appoints one member to the Council's governing board. The County paid membership fees of \$29,715 to the Council during the fiscal year ended June 30, 2025. The County was the subrecipient of grants totaling \$849,992 from the Administration for Community Living of the North Carolina Department of Health and Human Services that was passed through the Council.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2025, the County collected and remitted occupancy taxes to its discretely presented component unit, Rowan County Tourism Development Authority, in the amount of \$1,558,256. At June 30, 2025, the County owed the Tourism Development Authority \$282,716 for occupancy taxes not yet remitted.

NOTE 6 - SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Federal and State-Assisted Programs

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

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 7 - NET INVESTMENT IN CAPITAL ASSETS

The County's net investment in capital assets at June 30, 2025 is calculated as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|------------------------------------|-------------------------------------|
| Total capital and right-to-use assets | <u>\$ 107,294,589</u> | <u>\$ 42,651,062</u> |
| Less: Total long term debt | (120,321,972) | (16,101,519) |
| Less: Construction payables for County assets | (2,625,310) | (1,149,728) |
| Add: Debt related to schools: | | |
| General obligation debt | 1,655,276 | - |
| Limited obligation bonds | 69,400,476 | - |
| Schools '20 (RCCC Paving) | 60,000 | - |
| Schools '20 (RSS - HVAC) | 2,780,000 | - |
| Central office building loan | 2,321,429 | - |
| HVAC and dental renovations loan | 124,917 | - |
| Roof and security improvements loan | 1,300,000 | - |
| West Elementary School loan | <u>11,785,713</u> | - |
| Debt related to capital assets | <u>(33,519,471)</u> | <u>(17,251,247)</u> |
| Add: Total restricted cash and cash equivalents | 53,914,250 | 21,485,140 |
| Less: Restricted cash related to schools: | | |
| Public Schools Capital Projects Fund | (37,774,355) | - |
| Less: Restricted cash not related to capital assets | <u>(16,139,895)</u> | <u>(9,327,681)</u> |
| Total net investment in capital assets | <u>\$ 73,775,118</u> | <u>\$ 37,557,274</u> |

ROWAN COUNTY, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2025

NOTE 8 - COMPARATIVE DATA/RECLASSIFICATIONS

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

NOTE 9 – ADJUSTMENTS AND RESTATEMENTS OF BEGINNING BALANCES

During the current year, the County implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the County now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences.

Public School Capital Projects Fund was previously presented as a nonmajor fund. For the fiscal year ended June 30, 2025, this is considered a major governmental fund.

The effect of this change to or within the financial reporting entity is shown in the table below.

| | Public School | | | | Governmental Activities | Business-Type Activities |
|--|--------------------------|--------------------------|----------------------|----------------------|----------------------------|-----------------------------|
| | Capital Projects Fund | Nonmajor Governmental | Airport Fund | Landfill Fund | | |
| Net Position 6/30/2024 as Previously Reported | \$ 1,669,260 | \$ 4,490,440 | \$ 19,053,337 | \$ 21,622,060 | \$ 208,921,983 | \$ 43,752,764 |
| Change from nonmajor to major fund | (1,669,260) | (1,669,260) | | | | |
| Change in accounting principle (GASB 101) | - | - | (17,996) | (123,015) | (3,135,104) | (141,011) |
| Net Position 6/30/2024 as Restated | <u>\$ -</u> | <u>\$ 2,821,180</u> | <u>\$ 19,035,341</u> | <u>\$ 21,499,045</u> | <u>\$ 205,786,879</u> | <u>\$ 43,611,753</u> |

The following financial statements have been compiled from the audited financial statements of the County for the fiscal years ended June 30, 2025, 2024, and 2023.

County of Rowan, North Carolina
Balance Sheet
General Fund
As of June 30, 2025, 2024 and 2023

| | 2025 | 2024 | 2023 |
|--|-----------------------|-----------------------|-----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 168,456,422 | \$ 150,241,284 | \$ 116,941,375 |
| Restricted cash | 1,251,315 | 1,274,051 | 8,236,886 |
| Accounts receivable (net) | 6,476,788 | 6,313,504 | 5,123,750 |
| Due from other governments | 16,465,646 | 15,979,049 | 14,668,444 |
| Inventories | 65,648 | 79,871 | 64,251 |
| Lease receivable | 638,593 | 840,282 | 1,184,623 |
| Prepaid expenditures | 25,245 | 42,604 | 22,243 |
| Total assets | \$ 193,379,657 | \$ 174,770,645 | \$ 146,241,572 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | \$ 10,136,305 | \$ 14,781,641 | \$ 11,393,346 |
| Unearned revenue | 125,622 | 910,291 | 979,313 |
| Contract retainage | 14,098 | - | - |
| Due to component unit | 282,716 | 274,236 | 239,730 |
| Advance from grantor | 422,498 | - | - |
| Total liabilities | 10,981,239 | 15,966,168 | 12,612,389 |
| Deferred Inflows of Resources | 4,448,941 | 4,530,682 | 5,141,008 |
| Fund Balances | | | |
| Non-spendable: | | | |
| Inventories | 65,648 | 79,871 | 64,251 |
| Prepaid expenditures | 25,245 | 42,604 | 22,243 |
| Leases | 17,705 | 16,053 | 9,826 |
| Restricted: | | | |
| Stabilization by state statute | 25,836,410 | 20,305,824 | 19,260,336 |
| Education | 5,658,173 | 9,320,690 | 7,034,899 |
| Future projects | - | - | 8,369,156 |
| Law enforcement | 222,600 | 139,158 | 204,603 |
| Register of deeds | 17,052 | 19,424 | 80,907 |
| Committed: | | | |
| Public safety | 93,706 | 505,674 | - |
| Future projects | 3,740,188 | 1,290,468 | 2,905,762 |
| Tax revaluations | 828,817 | 363,760 | 162,000 |
| Assigned: | | | |
| Subsequent year's expenditures | 11,527,163 | 37,600,939 | 10,947,265 |
| Agricultural extension | 65,613 | 44,830 | 64,195 |
| Animal services | 21,853 | 21,887 | 15,859 |
| Nature center | 2,721 | 1,082 | 49,168 |
| Economic development | 7,593,682 | 6,342,263 | 5,298,150 |
| Emergency services | 59,130 | 79,717 | 69,944 |
| Environmental management | - | 72,003 | 73,846 |
| Health | 382,470 | 6,022,486 | 5,149,853 |
| Information technology | 15,430 | 21,604 | 58,532 |
| Law enforcement | 74,786 | 633,759 | 169,893 |
| Libraries | 80,096 | 111,114 | 147,531 |
| Planning | 31,416 | 31,416 | 31,739 |
| Recreation | - | 167,871 | 161,246 |
| Social services | 4,179,464 | 3,469,136 | 2,816,552 |
| Soil and water | 2,868 | 15,727 | 13,341 |
| Unassigned | 117,407,241 | 67,554,435 | 65,307,078 |
| Total fund balances | 177,949,477 | 154,273,795 | 128,488,175 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 193,379,657 | \$ 174,770,645 | \$ 146,241,572 |

The accompanying notes are an integral part of these financial statements

County of Rowan, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Fiscal Years Ended June 30, 2025, 2024 and 2023

| | 2025 | 2024 | 2023 |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| Revenues | | | |
| Ad valorem taxes | \$ 120,535,563 | \$ 117,023,051 | \$ 97,169,142 |
| Local option sales tax | 44,502,229 | 41,969,787 | 43,073,942 |
| Other taxes and licenses | 3,140,992 | 2,901,046 | 3,029,241 |
| Unrestricted intergovernmental | 590,774 | 690,783 | 597,832 |
| Restricted intergovernmental | 25,540,542 | 24,875,219 | 23,907,102 |
| Permits and fees | 3,529,483 | 3,353,373 | 3,643,213 |
| Sales and services | 13,337,253 | 12,180,781 | 11,454,424 |
| Investment earnings | 9,373,954 | 8,278,886 | 4,236,455 |
| Miscellaneous | 1,010,123 | 1,096,383 | 736,078 |
| Total Revenues | <u>221,560,913</u> | <u>212,369,309</u> | <u>187,847,429</u> |
| Expenditures | | | |
| General government | 19,388,414 | 16,226,921 | 18,218,606 |
| Public safety | 47,203,991 | 53,114,678 | 41,166,118 |
| Transportation | 2,399,868 | 4,089,243 | 2,021,195 |
| Economic and physical development | 4,299,533 | 5,562,713 | 8,457,215 |
| Human services | 35,391,637 | 33,732,922 | 31,193,874 |
| Culture and recreation | 8,229,843 | 9,130,836 | 7,602,152 |
| Intergovernmental: education | 56,391,090 | 49,534,434 | 49,008,114 |
| Debt service: | | | |
| Principal | 13,753,816 | 10,553,437 | 8,714,276 |
| Interest | 3,280,791 | 1,969,349 | 1,043,755 |
| Total Expenditures | <u>190,338,983</u> | <u>183,914,533</u> | <u>167,425,305</u> |
| Revenues Over Expenditures | <u>31,221,930</u> | <u>28,454,776</u> | <u>20,422,124</u> |
| Other Financing Sources (Uses) | | | |
| Transfers from other funds: | | | |
| Special revenue funds | 560,433 | 1,382,216 | 8,057,350 |
| Capital projects funds | 3,753,543 | - | - |
| Internal Services Fund | - | 81,779 | 6,379 |
| Transfers to other funds: | | | |
| Special revenue funds | (81,681) | - | - |
| Capital projects funds | (10,668,636) | (2,750,000) | - |
| Enterprise funds | (2,587,223) | (1,485,000) | (1,026,675) |
| Internal Services Fund | (720,107) | (480,000) | (480,000) |
| Issuance of debt | - | - | 7,998,000 |
| Lease liabilities issued | 48,267 | 197,422 | 151,715 |
| Subscription liabilities issued | 1,367,180 | 296,541 | 654,607 |
| Sale of capital assets | 796,199 | 72,266 | 3,052,965 |
| Total other financing sources (uses) | <u>(7,532,025)</u> | <u>(2,684,776)</u> | <u>18,414,341</u> |
| Net change in fund balances | 23,689,905 | 25,770,000 | 38,836,465 |
| Fund balances, beginning of year | 154,273,795 | 128,488,175 | 89,657,855 |
| Increase (decrease) in inventories | (14,223) | 15,620 | (6,145) |
| Fund balances, end of year | <u>\$ 177,949,477</u> | <u>\$ 154,273,795</u> | <u>\$ 128,488,175</u> |

The accompanying notes are an integral part of these financial statements

The following financial statements have been compiled from the budget ordinance and related amendments of the County for the fiscal year ending June 30, 2026.

County of Rowan
Compiled Budget - General Fund
For the Fiscal Year Ending June 30, 2026
As of November 30, 2025

| | General |
|--|------------------|
| Estimated Revenues | |
| Ad valorem taxes | \$ 121,714,000 |
| Local option sales tax | 40,000,000 |
| Other taxes and licenses | 5,680,000 |
| Unrestricted intergovernmental | 645,000 |
| Restricted intergovernmental | 21,442,231 |
| Permits and fees | 3,081,000 |
| Sales and services | 11,487,470 |
| Investment earnings | 4,500,050 |
| Miscellaneous | 1,432,758 |
| Total estimated revenues | 209,982,509 |
| Appropriations | |
| General government | 25,462,014 |
| Public safety | 56,606,293 |
| Transportation | 2,775,948 |
| Economic and physical development | 11,080,988 |
| Human services | 44,137,005 |
| Culture and recreation | 8,707,256 |
| Intergovernmental: education | 61,516,586 |
| Debt service: | |
| Principal | 17,208,000 |
| Interest and other fees | 7,856,616 |
| Total appropriations | 235,350,706 |
| Estimated revenues under appropriations | (25,368,197) |
| Other financing sources (uses) | |
| Transfers to other funds: | |
| Enterprise funds | (2,217,867) |
| Internal Service Fund | (1,487,366) |
| Appropriated fund balance | 29,073,430 |
| Total other financing sources | 25,368,197 |
| Estimated revenues and other sources over appropriations and other uses | \$ - |

Compiled by the staff of the Rowan County Finance Department

[Issuance Date]

County of Rowan, North Carolina
Salisbury, North Carolina

\$ _____
County of Rowan, North Carolina
General Obligation Community College Bonds, Series 2026

Ladies and Gentlemen:

We have served as bond counsel to the County of Rowan, North Carolina (the “County”) in connection with the issuance and sale of the County’s \$ _____ General Obligation Community College Bonds, Series 2026 (the “Bonds”) dated the date of their delivery.

In connection with this opinion, we have examined (i) the Constitution of North Carolina (the “Constitution”), (ii) the applicable laws of (A) the State of North Carolina (the “State”), including without limitation the Local Government Bond Act, Article 4 of Chapter 159 of the North Carolina General Statutes, as amended and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the “Code”), and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the County as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon and are assuming the accuracy of certifications and representations of the County, County officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation.

We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this transaction have been duly authorized, executed, and delivered by all parties to them other than the County, and we have further assumed the due organization, existence, and powers of all parties other than the County.

Based on the foregoing, in our opinion, under current law:

1. The Bonds have been authorized and issued in accordance with the Constitution and laws of the State and constitute valid and binding general obligations of the County, secured by a pledge of the faith and credit of the County.

2. The Board of Commissioners of the County has the power and is authorized and required by law to levy and collect annually, at the same time and in the same manner as other taxes of the County are assessed, levied and collected, a tax upon all taxable property within the County, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any, and interest on the Bonds to the extent other funds of the County are not lawfully available and appropriated for such purpose.

3. The interest component on the Bonds (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income tax on individuals (a “Specific Tax Preference Item”). However, such interest is included in the “adjusted financial statement income” (as defined in Section 56A of the Code) of certain corporations in determining the applicability and amount of the federal corporate alternative minimum tax imposed under Section 55(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the County, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Code. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation under Section 103 of the Code and not become a Specific Tax Preference Item. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The tax certificate and related documents for the Bonds (the “Tax Certificate”) delivered at closing by the County contain covenants (the “Covenants”) with which it has agreed to comply. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

4. Interest on the Bonds is exempt from State of North Carolina income taxation. We express no opinion regarding (i) other tax consequences arising with respect to the Bonds under the laws of the State or (ii) any consequences arising with respect to the Bonds under the tax laws of any state or local jurisdiction other than the State.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or equity.

Our services as bond counsel to the County have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to opine on the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

**CERTAIN CONSTITUTIONAL, STATUTORY AND ADMINISTRATIVE
PROVISIONS GOVERNING OR RELEVANT TO THE INCURRENCE OF
GENERAL OBLIGATION BONDED INDEBTEDNESS BY UNITS OF LOCAL
GOVERNMENT OF THE STATE OF NORTH CAROLINA**

Constitutional Provisions

The North Carolina Constitution (the “Constitution”) requires the General Assembly to enact general laws relating to the borrowing of money secured by a pledge of the faith and credit and the contracting of other debts by counties, cities and towns, special districts and other units, authorities and agencies of local government and prohibits enactment of special or local acts on this subject. These general laws may be enacted for classes defined by population or other criteria.

The General Assembly has no power under the Constitution to authorize any unit of local government to contract debts secured by a pledge of its faith and credit unless approved by a majority of the qualified voters of the unit who vote thereon, except for the following purposes:

- (a) to fund or refund a valid existing debt;
- (b) to supply an unforeseen deficiency in the revenue;
- (c) to borrow in anticipation of the collection of taxes due and payable within the current fiscal year to an amount not exceeding 50% of such taxes;
- (d) to suppress riots or insurrections;
- (e) to meet emergencies immediately threatening the public health or safety, as conclusively determined in writing by the Governor; and
- (f) for purposes authorized by general laws uniformly applicable throughout the State, to the extent of two-thirds of the amount by which the issuing unit’s outstanding indebtedness was reduced during the next preceding fiscal year.

The Constitution requires that the power of taxation be exercised in a just and equitable manner, for public purposes only, and never be surrendered, suspended or contracted away. Since general obligation bonded indebtedness pledges the taxing power, it may therefore be incurred only for “public purposes.” The North Carolina Supreme Court determines what is and is not a public purpose within the meaning of the Constitution.

The Constitution requires voter approval for any unit of local government to give or lend its credit in aid of any person, association or corporation, and such lending of credit must be for public purposes as authorized by general law. A loan of credit is defined by the Constitution as occurring when a unit of local government exchanges its obligations with or in any way guarantees the debts of an individual, association or private corporation.

The Constitution does not impose a limit on the total indebtedness of a unit of local government.

Of the sources of revenue available to units of local government, only the property tax is subject to special Constitutional regulation. The Constitution does not mandate a general property tax; rather,

it authorizes the General Assembly to classify property for taxation under two conditions: (1) each class of property selected for taxation must be taxed by uniform rule and (2) every classification must be made by general law uniformly applicable to every unit of local government. No class of property is accorded exemption from ad valorem taxation by the Constitution except property belonging to the State, counties and municipal corporations. The General Assembly may exempt cemeteries and property held for educational, scientific, literary, cultural, charitable or religious purposes and, to a value not exceeding \$300, any personal property. The General Assembly may also exempt from taxation not exceeding \$1,000 in value of property used as the place of residence of the owner. Property of the United States is exempt by virtue of the supremacy clause of the United States Constitution.

The Constitution requires that any property tax must be levied for purposes authorized by general law uniformly applicable throughout the State, unless approved by a majority of the qualified voters of the unit of local government who vote thereon.

Under the Constitution, property taxes levied for unit-wide purposes must be levied uniformly throughout the territorial jurisdiction of the taxing unit, but the General Assembly may enact general laws authorizing the governing body of any county, city or town to define territorial areas and to levy taxes within those areas in order to finance, provide or maintain services, facilities and functions in addition to or to a greater extent than those financed, provided or maintained for the entire county, city or town.

The Local Government Bond Act

No unit of local government has authority to incur general obligation bonded indebtedness otherwise than in accordance with the limitations and procedures prescribed in The Local Government Bond Act, G.S. Ch. 159, Art. 4 (the "Act") and G.S. Ch. 159, Art. 7 or to issue short-term general obligation notes otherwise than in accordance with G.S. Ch. 159, Art. 9.

By statute, the faith and credit of the issuing unit are pledged for the payment of the principal of and interest on all bonds issued under the Act according to their terms, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of installments of principal and interest or for the maintenance of sinking funds is unrestricted as to rate or amount.

The revenues of each utility or public service enterprise owned or leased by a unit of local government are required by statute to be applied in accordance with the following priorities: (1) to pay the operating, maintenance and capital outlay expenses of the utility or enterprise; (2) to pay when due the interest on and principal of outstanding bonds issued for capital projects that are or were a part of the utility or enterprise; and (3) for any other lawful purpose. In its discretion, an issuing unit may pledge the revenues (or any portion thereof) of a utility or enterprise for the payment of the interest on and principal of bonds issued under the Act to finance capital projects that are to become a part of the utility or enterprise.

Bonds may be issued only for purposes specifically authorized by the Act.

No bonds may be issued under the Act without the approval of the Local Government Commission. The criteria for approval have been summarized in the description of the powers of the Commission in Appendix B to this Official Statement.

The Act provides that, subject to certain exceptions, no bond order may be adopted by the governing body of a unit of local government unless it appears from a sworn statement of debt filed in connection therewith that the net debt of the unit does not exceed 8% of the assessed value of property subject to taxation by the issuing unit. Under current law, the mandated assessment ratio is 100% of

appraised value. This limitation does not apply to funding and refunding bonds, bonds issued for water, gas or electric power purposes, or two or more of such purposes, certain sanitary sewer, sewage disposal or sewage purification plant bonds, bonds or notes issued for erosion control purposes or bonds or notes issued for the purposes of erecting jetties or other protective works to prevent encroachment by certain bodies of water.

“Net debt” is defined as gross debt less certain statutory exclusions and deductions. Gross debt, excluding therefrom debt incurred or to be incurred in anticipation of tax or other revenue collections or in anticipation of the sale of bonds other than funding or refunding bonds, is the sum of (i) outstanding debt evidenced by bonds, (ii) bonds authorized by orders introduced but not yet adopted, (iii) unissued bonds authorized by adopted orders and (iv) outstanding debt not evidenced by bonds. From gross debt are deducted (a) funding and refunding bonds (both those authorized by orders introduced but not yet adopted and those authorized but not yet issued), (b) the amount of money held in sinking funds or otherwise for the payment of any part of the principal of gross debt other than debt incurred for the purposes set forth in clause (e) below, (e) the amount of bonded debt included in gross debt and incurred, or to be incurred, for water, gas or electric light or power purposes, or two or more of such purposes, and certain bonded debt for sanitary sewer purposes, and (d) the amount of uncollected special assessments theretofore levied or estimated to be levied for local improvements for which any part of the gross debt (that is not otherwise deducted) was or is to be incurred, to the extent that the special assessments, when collected, will be applied to the payment of any part of the gross debt. Revenue bond indebtedness is not included in, nor deducted from, gross debt.

Bonds may be issued under an approved bond order at any time within seven years after the bond order takes effect. The effective date of the bond order is the date of formal passage of the bond order in the case of bonds that do not require voter approval and the date of voter approval in all other cases. If the issuance of bonds is prevented or prohibited by any order of any court or certain litigation, the period of time is extended by the length of time elapsing between the date of institution of the action or litigation and the date of its final disposition. The General Assembly may, prior to the expiration of the maximum period, also extend such period. In addition, such period may be extended from seven to ten years by the governing body of a unit of local government under certain circumstances with approval by the Commission. In any such case, no further voter approval is required.

The Commission has by regulation established the maximum useful lives of capital projects that may be financed by bonds. The maturity dates of any bonds issued for any project may not exceed the maximum useful life of the project, measured from the date of the bonds.

All bonds must mature in annual installments, the first of which must be payable not more than three years after the date of the bonds and the last of which must be payable within the maximum useful life of the project. Payment of an installment of principal may be provided for by the maturity of a bond, mandatory redemption of principal prior to maturity, a sinking fund, a credit facility or any other means satisfactory to the Commission. In addition, the Act prohibits “balloon installments” in that it requires that no installment of any issue may be greater than four times as large in amount as the smallest prior installment of the same issue. Bonds authorized by two or more bond orders may be consolidated into a single issue, and bonds of each issue may be issued from time to time in series with different provisions for each series. Each series is deemed a separate issue for the purposes of the limitations discussed in this paragraph. Bonds may be made payable from time to time on demand or tender for purchase as provided in the Act, and bonds may be made subject to redemption prior to maturity, with or without premium. The requirement that the bonds must mature in annual installments and the prohibition against balloon installments as described above does not apply to (a) refunding bonds, (b) bonds purchased by a State or federal agency or (c) bonds the interest on which is or may be includable in gross income for purposes of federal income tax, provided that the dates on which such bonds are stated to mature are approved by the Commission and the Commission may

require that payment of all or any part of the principal of and interest and any premium on such bond be provided for by mandatory sinking fund redemption.

Short-Term Obligations

Bond Anticipation Notes - Units of local government are authorized to issue short term notes in anticipation of the sale of bonds validly authorized for issuance within the maximum authorized amount of the bonds. General obligation bond anticipation notes must be payable not later than seven years after the effective date of the bond order and shall not be renewed or extended beyond that time unless the period of time within which the bonds may be issued has been extended as mentioned above. The faith and credit of the issuing unit are pledged for the payment of general obligation bond anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount. The proceeds of each general obligation bond issue are also pledged for the payment of any notes issued in anticipation of the sale thereof, and any such notes shall be retired from the proceeds of the bonds as a first priority.

Tax Anticipation Notes - Units of local government having the power to levy taxes are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the collection of taxes due and payable within the current fiscal year, and to issue negotiable notes in evidence thereof. Any tax anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No tax anticipation note shall be issued by the unit of local government if the amount thereof, together with the amount of all authorized or outstanding tax anticipation notes on the date the note is authorized, would exceed 50% of the amount of taxes uncollected as of the date of the proposed note authorization. The faith and credit of the issuing unit are pledged for the payment of tax anticipation notes, and the power and obligation of the issuing unit to levy taxes and raise other revenues for the prompt payment of such notes is unrestricted as to rate or amount.

Revenue Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for the current fiscal year in anticipation of the receipt of the revenues, other than taxes, estimated in their budgets to be realized in cash during such fiscal year, and to issue negotiable notes in evidence thereof. Any revenue anticipation note must mature not later than 30 days after the close of the fiscal year in which it is issued and may not be renewed beyond that time. No revenue anticipation note shall be issued if the amount thereof, together with the amount of all revenue anticipation notes authorized or outstanding on the date the note is authorized, would exceed 80% of the revenues of the issuing unit, other than taxes, estimated in its budget to be realized in cash during such fiscal year. Revenue anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of revenue anticipation notes.

Grant Anticipation Notes - Units of local government are authorized to borrow money for the purpose of paying appropriations made for capital projects in anticipation of the receipt of moneys from grant commitments for such capital projects from the State or the United States or any agencies of either, and to issue negotiable notes in evidence thereof. Grant anticipation notes must mature not later than 12 months after the estimated completion date of such capital project and may be renewed from time to time, but no such renewal shall mature later than 12 months after the estimated completion date of such capital project. No grant anticipation note may be issued if the amount thereof, together with the amount of all other notes authorized or issued in anticipation of the same grant commitment, exceeds 90% of the unpaid amount of said grant commitment. Grant anticipation notes are special obligations of the issuing unit, and neither the credit nor the taxing power of the issuing unit may be pledged for the payment of grant anticipation notes.

The Local Government Budget and Fiscal Control Act

The Local Government Budget and Fiscal Control Act, G.S. Ch. 159, Art. 3 (the “Fiscal Control Act”), sets forth procedures for the adoption and administration of budgets of units of local government. The Fiscal Control Act also prescribes certain accounting and auditing requirements. The Fiscal Control Act attempts to achieve close conformity with the accounting principles contained in the American Institute of Certified Public Accountants’ Industry Audit Guide, Audits of State and Local Government Units.

Budget - The Fiscal Control Act requires the adoption of an annual balanced budget, which includes all appropriations required for debt service and for eliminating any deficit. Any deficit is required to be eliminated by the imposition of a property tax at a rate which will produce the revenue necessary to balance revenues and appropriations in the budget. The Secretary of the Commission is required to notify each local government unit by May 1 of each year of its debt service obligations for the coming fiscal year, including sums to be paid into sinking funds. At least 30 days prior to the due date of each installment of principal or interest on outstanding debt, the Secretary must notify each unit of the payment due, the due date, the place which the payments should be sent, and a summary of the legal penalties for failing to meet debt service obligations.

The Fiscal Control Act directs that the budget ordinance be adopted by the governing board of the unit of local government by July 1 of the fiscal year to which it applies. There is no penalty for failure to meet this deadline. The fiscal year begins July 1 and ends the following June 30. The governing board is required to hold a public hearing concerning the budget prior to its adoption. A project ordinance authorizing all appropriations necessary for the completion of a capital project or a grant project may be adopted in lieu of annual appropriations for each project and need not be readopted in any subsequent fiscal year.

Fiscal Control – The Fiscal Control Act sets forth certain fiscal control requirements concerning the duties of the finance officer; the system of accounting; budgetary accounting for appropriations; investment of idle funds; semiannual reports of financial information to the Commission; and an annual independent audit.

Except as otherwise provided by regulation of the Commission, the Fiscal Control Act requires a unit of local government to use the modified accrual basis of accounting in recording transactions. The Commission is empowered to prescribe regulations as to (a) features of accounting systems; (b) bases of accounting, including identifying in detail the characteristics of a modified accrual basis, identifying what revenues are susceptible to accrual, and permitting or requiring the use of a basis other than modified accrual in a fund that does not account for the receipt of a tax; and (c) definitions of terms not clearly defined in the Fiscal Control Act.

The Fiscal Control Act requires each unit of local government to have its accounts audited annually by an independent certified public accountant or by an independent accountant certified by the Commission as qualified to audit local government accounts. The audit must be conducted pursuant to a written contract containing the form, terms and fees for the audit. The Secretary of the Commission must approve this contract before the audit may begin and must approve invoices for the audit fee. Approval of final payment is not given until the audit report is rendered in accordance with the requirements of the contract. All audits are to be performed in conformity with generally accepted auditing standards.

Major General Fund Revenue Sources

Ad Valorem Tax - Each unit of local government having authority to incur general obligation bonded indebtedness also has authority to levy ad valorem taxes on property having a situs within the

unit. The ad valorem tax is levied on classes of property selected for taxation by the General Assembly through laws that are uniform throughout the State. The statute governing the listing, appraisal and assessment of property for taxation and the collection of taxes levied is the Machinery Act, G.S. Ch. 105, Subchapter II.

Tax Base - The basic class of property selected for taxation comprises all real and tangible personal property. Thus, unless a class of property is specifically excluded from the property tax base, exempted from taxation or specifically accorded some kind of preferential tax treatment, it must be taxed by each unit of local government exercising its authority to levy property taxes. Several classes of property have been selected for exclusion from the property tax base, exemption from taxation or taxation at reduced valuation or for special appraisal standards. The most significant of these classes are:

- (1) Tangible household personal property is excluded from the property tax base.
- (2) Stocks and bonds, accounts receivable and certain other types of intangible personal property are excluded from the property tax base.
- (3) Property belonging to certain qualified owners and used wholly and exclusively for religious, educational, charitable, cultural, fraternal or civic purposes is wholly exempted from taxation. Property belonging to the United States, the State and units of local government is also exempt from taxation.
- (4) Real and personal property owned by certain nonprofit homes for the aged, sick or infirm are excluded from property taxation, provided such homes are exempt from the State income tax.
- (5) Certain kinds of tangible personal property held for business purposes are excluded from taxation, the most important of which are:
 - (a) Manufacturers' inventories (raw materials, goods in process, finished goods, materials or supplies consumed in processing, crops, livestock, poultry, feed used in production of livestock and poultry, and other agricultural or horticultural products held for sale) and inventories of retail and wholesale merchants (tangible personal property held for sale and not manufactured, processed or produced by the merchant).
 - (b) Property imported through a North Carolina seaport terminal and stored at such terminal for less than 12 months awaiting further shipment.
 - (c) Certain pollution abatement and resource recovery equipment.
 - (d) "Bill and hold" goods manufactured in North Carolina and held by the manufacturer for shipment to a nonresident customer.
 - (e) Nuclear materials held for or in the process of manufacture or processing or held by the manufacturer for delivery.
 - (f) Motor vehicle frames that belong to nonresidents and enter the State temporarily for the purpose of having a body mounted thereon.
- (6) A homestead exemption of the greater of \$25,000 or 50% of the appraised value of the residence is allowed if the property owner is a North Carolina resident, has income for the

preceding calendar year of not more than the eligibility limit, and is at least 65 years of age or totally and permanently disabled.

- (7) Certain agricultural, horticultural and forest land is eligible for taxation at its value for agricultural, horticultural or forest use

Appraisal Standard - All property must be appraised at its true value in money, except agricultural, horticultural and forest land eligible for appraisal at its present-use value. Property must be assessed for taxation at 100% of its appraised value.

Frequency of Appraisal - Real property must be appraised at least once in every eight years. The requirement of octennial real property revaluations has been enforced since 1965, and no taxing unit has been permitted to postpone a scheduled revaluation since that time. Many units revalue real property more frequently than every eight years. Personal property is appraised annually.

Tax Day - All real and tangible personal property (other than most motor vehicles) subject to ad valorem taxation must be listed for taxation as of January 1 each year. Motor vehicles, with certain exceptions, must be listed annually in the name of the record owner on the day on which the current vehicle registration is renewed or the day on which the application is submitted for a new vehicle registration.

Tax Levy - Property taxes are levied in conjunction with the adoption of a budget which covers a July 1 to June 30 fiscal year. The property tax levy must be sufficient to raise during the fiscal year a sum of money equal to the difference between total appropriations and the total estimated receipts of all other revenues. In estimating the percentage of the levy that will be collected during the fiscal year, the taxing unit is prohibited from estimating a greater collection percentage than that of the prior fiscal year.

The tax rate may not exceed \$1.50 per \$100 assessed valuation unless the voters approve a higher rate. Tax levies by counties for the following purposes are not counted against the rate limit: courts, debt service, deficits, elections, jails, schools, mandated social services programs and joint undertakings with any other taxing unit with respect to any of these. Tax levies by cities for the following purposes are not counted against the rate limit: debt service, deficits and civil disorders.

Tax Collection - The taxing unit has a lien by operation of law on all real property within its jurisdiction that attaches as of January 1 for all taxes levied for the fiscal year beginning on the following July 1. Taxes levied on a parcel of real property are a lien on that parcel but not on other real property owned by the taxpayer. Taxes levied on personal property are a lien on all real property owned by the taxpayer within the taxing unit. The tax lien enjoys absolute priority against all other liens and claims whatsoever except, in limited circumstances, federal tax liens and certain other prior liens and perfected security interests.

Except for motor vehicles, taxes fall due on September 1 following the date of levy and are payable at par until January 6. For the period January 6 to February 1, interest accrues at the rate of 2%, and for the period February 1 until the principal amount of the taxes, the accrued interest, and any penalties are paid, interest accrues at the rate of 3/4% per month or fraction thereof. Each taxing unit may enforce collection of its tax levy by (a) foreclosure of the lien on real property, (b) levy and sale of tangible personal property and (c) garnishment and attachment of intangible personal property. There is no right of redemption of real property sold in a tax foreclosure action.

Discounts for early payment of property taxes are allowed by some taxing units. To allow such discounts, the unit must adopt a discount schedule which must then be approved by the Ad Valorem Tax Division of the Department of Revenue.

No taxing unit has authority to release or refund any valid tax claim. The members of any governing board voting to make an unlawful release or refund of property taxes are personally liable for the amount unlawfully released or refunded.

The Commission periodically publishes statistics on the percentage of property tax levies collected before the close of the fiscal year for which levied. These statistics are available upon request.

Although the State has not levied a general property tax in more than forty years, it does continue general oversight of property tax administration by units of local government through the Ad Valorem Tax Division of the Department of Revenue. The Division has three main functions: (1) it appraises the property of electric power, gas, telephone and telegraph companies, the rolling stock of bus companies and motor freight carriers and the flight equipment of airlines; (2) it oversees local property tax administration; and (3) it provides staff assistance to the Property Tax Commission, an administrative appellate agency hearing listing and valuation appeals from local taxing units.

Local Government Sales and Use Taxes

The one percent local sales and use tax authorized by the Local Government Sales and Use Tax Act is levied by 99 of the 100 counties of the State (Mecklenburg County levies a virtually identical tax under a 1967 local act). The local sales tax base is the same as the State general sales tax base excluding exempt food sales, except that for goods sold to out-of-county purchasers for delivery out-of-county and sales of certain utility services. The situs of a transaction is the location of the retailer's place of business. Sales of tangible personal property delivered to out-of-county purchasers will be subject to sales tax in the county in which the retailer's place of business is located and will not be subject to the use tax of the destination county. The tax is collected by the State on behalf of local government, and the net proceeds, after deduction of the cost of collection and administration, are returned to the county of collection. The county governing board selects one of two formulas for allocation of the tax among the county and the municipalities therein. One formula calls for allocation on the basis of population and the other on the basis of ad valorem tax levy.

Counties are also authorized under the Supplemental Local Government Sales and Use Tax Act to levy a one-half percent sales tax. This sales tax is collected by the State, allocated to counties on a per capita basis and divided among each county and the municipalities located therein in accordance with the method by which the one percent sales and use taxes are distributed. An adjustment factor is applied to the per capita allocation for each county. All 100 counties levy this one-half percent supplemental sales tax.

Counties are also authorized under the Additional Supplemental Local Government Sales and Use Tax Act to levy an additional one-half percent sales tax. This additional supplemental sales tax is collected and distributed based on a point-of-origin allocation. During the first 16 fiscal years in which this tax is in effect, 60% of the revenue derived by counties from this tax is required to be used for public school capital outlay purposes or to retire any indebtedness incurred by the county for these purposes during the period beginning five years prior to the date the taxes took effect. Counties may be relieved of the percentage restriction if it can demonstrate to the satisfaction of the Local Government Commission that it is able to meet the aforementioned capital outlay needs without resorting to proceeds of such tax. All 100 counties levy this additional supplemental one-half percent sales tax.

Alcoholic Beverage Control Store Profits

The sale of liquor in the State is a government monopoly. Stores are operated by counties and municipalities that have been authorized and have chosen to establish them. The net profits of these stores are distributed to the units of local government in which they operate. The General Assembly

has enacted numerous local acts prescribing different formulas for the distribution of profits. Local elections are authorized to permit sales of liquor by the drink by qualified restaurants and clubs. An additional tax of \$20 per four liters is levied on liquor purchased by restaurants or clubs for resale as mixed beverages, and \$10 of the \$20 is paid to the State's General Fund.

Intragovernmental Shared Revenues

The net amount of excise taxes collected by the State on beer, fortified and unfortified wine is shared with counties and municipalities in which the sale of these beverages is lawful. Counties and municipalities where beer and wine are sold receive on a per capita basis an annual distribution equal to the following percentages of the net amount of excise taxes collected on the sale of beer and wine during the 12-month period ending March 31 each year: 20.47 percent of malt beverage tax revenue, 49.44 percent of unfortified wine tax revenue and 18 percent of fortified wine tax revenue. A municipality or a county is eligible to share in both beer and wine excise tax revenues if beer and wine may legally be sold within its boundaries. If only one beverage may be sold at retail in a municipality located in a county in which the sale of such beverage is otherwise prohibited, only the municipality receives a portion of the amount distributed.

The State levies a tax on the gross receipts derived from the sale of electricity at the combined general rate prescribed by statute. The State distributes 44 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute.

The State levies a sales tax on the gross receipts derived from providing telecommunications and ancillary services at the statutorily prescribed combined general rate. Each quarter, the State distributes to municipalities 18.7 percent of the net proceeds from that quarter, minus \$2,620,948.

The State levies a tax on the gross receipts derived from the sale of piped natural gas at the combined general rate. The State distributes quarterly 20 percent of the net proceeds of such tax to municipalities, less certain administration costs. Each municipalities' share is calculated pursuant to a formula provided by statute, with certain "gas cities" eligible for an increase to their shares provided that certain requirements are met.

All cities and counties receive shares of three State sales taxes on video programming service and telecommunications service revenues pursuant to a formula provided by statute. The revenue to be distributed includes 7.7 percent of the net proceeds of taxes collected on telecommunications and ancillary services, 23.6 percent of the net proceeds of taxes collected on video programming services (other than direct-to-home satellite service), and 37.1 percent of the net proceeds of taxes collected on direct-to-home satellite services. Before the distribution of such net proceeds is made, certain cities or counties may receive supplemental public, educational or governmental access channel ("PEG Channel") support funds from such net proceeds, provided that certain requirements are met.

State and Local Fiscal Relations

The State finances from State revenues (primarily individual income taxes, corporate income taxes and sales taxes) several governmental programs that are largely financed from local revenues in other states, thus decreasing reliance on local property taxes for these purposes. The major programs of this nature are as follows:

Public Schools and Community Colleges - The State provides approximately 70% of the funds required for current operating costs of the public school and community college systems, while county government finances the greater portion of the capital costs of these systems. North Carolina school administrative units do not have independent tax-levying authority. The local share of the costs of the

public school and community college systems are raised primarily by county government from its general revenues including the local sales tax revenue.

Court System - The State finances virtually all of the current operating costs of the General Court of Justice. County government is required to provide courthouses, certain jails and related judicial facilities.

Correctional System - The State finances all of the cost of correctional facilities used for confinement of convicted felons and long-term (more than 30 days) misdemeanants. Counties and some municipalities furnish jails for short-term misdemeanants and prisoners awaiting trial.

Highway System - The State finances the entire cost of public roads and highways outside the corporate limits of cities and towns. Counties may voluntarily participate in improvements to public roads and highways. Within cities and towns, the State finances the cost of major thoroughfares and streets connecting elements of the State highway system. Cities share responsibility with the State for State-maintained roads inside city limits and take full responsibility for the remaining public streets within city limits.

BOOK-ENTRY ONLY SYSTEM

Beneficial ownership interests in the Bonds will be available only in a book-entry system. The actual purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in such Bonds purchased. So long as The Depository Trust Company (the “DTC”), a New York corporation, or its nominee is the registered owner of the Bonds, references in this Official Statement to the registered owners of the Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners of the Bonds.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the Bonds, payment of interest and other payments with respect to the Bonds to DTC Participants or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each 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 purchases. 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are 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 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest and redemption premiums, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premiums, if any, is the County'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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The Commission or the County may decide to discontinue use of the system of book-entry- only transfers through DTC (or a successor securities depository). In that event, 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 DTC, and the County takes no responsibility for the accuracy thereof.

The County cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Bonds (a) payments of principal of, premium, if any, and interest on the Bonds, (b) confirmations of their ownership interests in the Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

THE COUNTY HAS NO RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF, PREMIUM, IF ANY OR INTEREST ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE TERMS OF THE RESOLUTIONS AUTHORIZING THE ISSUANCE OF THE BONDS; AND (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.