THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO COMPLETION OR AMENDMENT IN A FINAL OFFICIAL STATEMENT. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2026 Bonds (as defined herein) offered hereby in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 3, 2026

New Issue/ Book-Entry Only

Ratings: Moody's: Aa2
S&P: AA-
(See "RATINGS" herein)

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.

$40,000,000*
COUNTY OF TRANSYLVANIA, NORTH CAROLINA
Limited Obligation Bonds
Series 2026

Evidencing Proportionate and Undivided Interests in Rights to Receive Certain Revenues Pursuant to an Installment Financing Contract between the Land of Waterfalls Financing Corporation and the COUNTY OF TRANSYLVANIA, NORTH CAROLINA

Dated: Date of Delivery **Due: As shown on the inside cover**

The bonds offered hereby (the "2026 Bonds") are being executed and delivered by the Land of Waterfalls Financing Corporation (the "Corporation"), pursuant to an Indenture of Trust, dated as of December 1, 2026 (the "Indenture"), between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The proceeds of the 2026 Bonds will be used to provide funds to the County of Transylvania, North Carolina (the "County") to be used to (a) finance the acquisition, construction and equipping of County judicial facilities, including, but not limited to, a new courthouse building, together with related site development and appurtenant improvements thereto (the "2026 Project"), and (b) pay the costs, fees and expenses incurred in connection with the execution and delivery of the Contract (as defined below) and the sale, execution and delivery of the 2026 Bonds.

The proceeds of the 2026 Bonds will be advanced to the County pursuant to an Installment Financing Contract, dated as of December 1, 2026 (the "Contract"), between the County and the Corporation. The 2026 Bonds evidence proportionate and undivided ownership interests in certain Revenues (as defined herein) payable by the County pursuant to the Contract. The County's obligations under the Contract are secured by a Deed of Trust, Security Agreement and Fixture Filing, dated as of December 1, 2026 (the "Deed of Trust"), executed and delivered by the County for the benefit of the Corporation and its assignee, granting a lien on the Mortgaged Property subject to Permitted Encumbrances (each as defined therein), as further described herein.

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the registered owners of the 2026 Bonds and any Additional Bonds (as defined herein) (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, certain notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property, and (c) all money and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund) and certain pledged personal property, if any. Any Additional Bonds hereafter executed and delivered pursuant to the Indenture will be payable on a parity with the 2026 Bonds.

The 2026 Bonds will be delivered only in fully registered form, and when delivered will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the 2026 Bonds. Individual purchases of the 2026 Bonds will be made in denominations of $5,000 or integral multiples thereof. So long as Cede & Co. is the registered owner, as nominee for DTC, references herein to registered owners or Owners shall mean Cede & Co., and shall not mean the beneficial owners of the 2026 Bonds. So long as Cede & Co. is the registered owner of the 2026 Bonds, principal and interest with respect to the 2026 Bonds will be payable by the Trustee to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners. See Appendix E hereto for more information concerning DTC and the book-entry only system for the 2026 Bonds.

THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2026 BONDS ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY PURSUANT TO THE CONTRACT, AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS UNDER THE INDENTURE AND, TO THE EXTENT PROVIDED IN THE INDENTURE, THE PROCEEDS DERIVED FROM THE EXERCISE OF CERTAIN RIGHTS AND REMEDIES GRANTED UNDER THE CONTRACT AND THE DEED OF TRUST. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE TO THE OWNERS OF THE 2026 BONDS.

The 2026 Bonds are subject to optional and mandatory sinking fund prepayment prior to their maturity as described herein.

The 2026 Bonds are offered subject to prior sale when, as and if executed and delivered and accepted by Raymond James & Associates, Inc., as Underwriter, subject to the approval of their validity and certain other matters by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel. Certain legal matters will be passed upon for the County by William Bulfer, Asheville, North Carolina, County Attorney, for the Corporation by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and for the Underwriter by Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, counsel to the Underwriter. First Tryon Advisors, LLC is acting as municipal advisor to the County in connection with the sale, execution and delivery of the 2026 Bonds. It is expected that delivery of the 2026 Bonds will be made through the facilities of DTC on or about December 1, 2026.

Raymond James

November __, 2026

*Preliminary; subject to change.

MATURITY SCHEDULE*

Due December 1	Principal Amount	Interest Rate	Yield	CUSIP+
2027	**$2,000,000**			
2028	**2,000,000**			
2029	**2,000,000**			
2030	**2,000,000**			
2031	**2,000,000**			
2032	**2,000,000**			
2033	**2,000,000**			
2034	**2,000,000**			
2035	**2,000,000**			
2036	**2,000,000**			
2037	**2,000,000**			
2038	**2,000,000**			
2039	**2,000,000**			
2040	**2,000,000**			
2041	**2,000,000**			
2042	**2,000,000**			
2043	**2,000,000**			
2044	**2,000,000**			
2045	**2,000,000**			
2046	**2,000,000**			

*Preliminary; subject to change.

+ 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. CUSIP data herein is provided by FactSet Research Systems Inc. The CUSIP data herein is provided solely for the convenience of reference only, and neither the County, the Corporation nor the Underwriter make any representation to the correctness of the CUSIP numbers either as printed on the 2026 Bonds or as contained herein.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the 2026 Bonds offered hereby, nor shall there be any offer or solicitation of such offer or sale of the 2026 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 2026 Bonds implies that the information herein is correct as of any date subsequent to the date thereof.

The information contained herein has been obtained from the County, the Corporation and other sources believed to be reliable. The information contained herein is subject to change after the date of this Official Statement, and this Official Statement speaks only as of its date.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission.

This Official Statement is deemed to be a final official statement with respect to the 2026 Bonds within the meaning of Rule 15c2-12, except, when it is in preliminary form, for the omission of certain pricing and other information authorized to be omitted by Rule 15c2-12.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2026 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$40,000,000*
COUNTY OF TRANSYLVANIA, NORTH CAROLINA
Limited Obligation Bonds
Series 2026

Evidencing Proportionate and Undivided Interests in Rights to Receive Certain Revenues Pursuant to an Installment Financing Contract between the Land of Waterfalls Financing Corporation and the COUNTY OF TRANSYLVANIA, NORTH CAROLINA

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices, is to provide certain information in connection with the execution, sale and delivery of $40,000,000* Limited Obligation Bonds (County of Transylvania, North Carolina), Series 2026 (the "2026 Bonds"). The 2026 Bonds will be executed and delivered pursuant to the provisions of an Indenture of Trust, dated as of December 1, 2026 (the "Indenture"), between the Land of Waterfalls Financing Corporation (the "Corporation") and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The 2026 Bonds will evidence proportionate and undivided ownership interests in certain Revenues (as defined below) pursuant to an Installment Financing Contract, dated as of December 1, 2026 (the "Contract"), between the County of Transylvania, North Carolina (the "County") and the Corporation.

The County. The County is a political subdivision of the State of North Carolina (the "State"). See Appendix A hereto for certain information concerning the County. The County's most recent audited financial statements are contained in Appendix B hereto.

Authorization. The 2026 Bonds will be executed and delivered pursuant to the Indenture. The 2026 Bonds evidence proportionate undivided interests in the right to receive certain Revenues pursuant to the Contract. The 2026 Bonds are payable solely from the Installment Payments and certain other money as provided in the Indenture.

The County has entered into the Contract pursuant to the provisions of Section 160A-20 of the General Statutes of North Carolina, as amended. The Contract is subject to the approval of, and has been approved by, the Local Government Commission of North Carolina (the "LGC"). See "THE LOCAL GOVERNMENT COMMISSION" herein.

Purpose. The proceeds of the 2026 Bonds will be used to provide funds to the County to be used to (a) finance the acquisition, construction and equipping of County judicial facilities, including, but not limited to, a new courthouse building, together with related site development and appurtenant improvements thereto (the "2026 Project" as further described under "THE 2026 PROJECT" herein) and (b) pay the costs, fees and expenses (1) of executing and delivering the Contract and the Deed of Trust and (2) incurred in connection with the sale, execution and delivery of the 2026 Bonds.

Security. The 2026 Bonds and any additional Bonds hereafter outstanding under the Indenture (the "Additional Bonds") evidence proportionate undivided interests in the right to receive certain Revenues under the Contract. The 2026 Bonds are payable solely from the Installment Payments and certain other money as provided in the Indenture.

As security for its obligations under the Contract, the County will execute and deliver to a deed of trust trustee (the "Deed of Trust Trustee"), for the benefit of the Corporation or its assignee, a Deed of Trust, Security Agreement and Fixture Filing, dated as of December 1, 2026 (the "Deed of Trust"),

granting a lien of record on the County's fee simple interest in the real property on which the new courthouse will be located, together with the improvements and fixtures thereon and to be constructed thereon, and any additions, modifications, attachments, replacements and parts thereof, as more particularly described in the Deed of Trust (the "Mortgaged Property"), subject to certain permitted encumbrances as described in the Contract and the Deed of Trust. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Deed of Trust" herein. The 2026 Bonds are also secured by certain money on deposit under the Indenture.

The Deed of Trust authorizes future obligations under the Contract to be evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the total amount of present and future obligations secured thereby at any one time does not exceed $200,000,000 and such future obligations are incurred not later than thirty (30) years from the date of the Deed of Trust. The 2026 Bonds will be secured by the Deed of Trust on a parity with any Additional Bonds hereafter executed and delivered and outstanding under the Indenture.

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2026 Bonds and any Additional Bonds (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, certain notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property, and (c) all money and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund) and certain pledged personal property, if any. Pursuant to the Contract, the Installment Payments are payable by the County directly to the Trustee. Additional Bonds which would have equal rights in the security available to the Owners of the 2026 Bonds may be executed and delivered in accordance with the provisions of the Indenture. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Additional Bonds" herein and "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Indenture—Additional Bonds" in Appendix C hereto.

Under certain conditions, the Deed of Trust Trustee may release portions of the Mortgaged Property from the lien of the Deed of Trust. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS—Deed of Trust" herein and "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Deed of Trust" in Appendix C hereto.

If a default occurs under the Contract, the Trustee may attempt to dispose of the Mortgaged Property and apply the proceeds received as a result of any such disposition to the payment of the amounts due to the Owners of the 2026 Bonds and any Additional Bonds. No assurance can be given that any such proceeds will be sufficient to pay the principal and interest with respect to the 2026 Bonds. In addition, no deficiency judgment can be obtained against the County if the proceeds from any such disposition (together with other funds that may be held by the Trustee under the Indenture) are insufficient to pay the 2026 Bonds in full. Neither the 2026 Bonds nor the County's obligation to make payments under the Contract constitute a pledge of the County's faith and credit within the meaning of any constitutional provision. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS" herein.

Details of the 2026 Bonds. The 2026 Bonds will be dated as of the date of delivery thereof and will mature, subject to the prepayment provisions described herein, on December 1 in the years and amounts set forth on the inside front cover. Interest with respect to the 2026 Bonds will be payable on each June 1 and December 1, beginning June 1, 2027, at the rates set forth on the inside front cover. Individual purchases of the 2026 Bonds will be made in denominations of $5,000 or integral multiples thereof.

Book-Entry Only Form. The 2026 Bonds will be delivered as fully registered certificates in book-entry only form without physical delivery of certificates to the beneficial owners of the 2026 Bonds. The Trustee will make payments of principal and interest with respect to the 2026 Bonds to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to the beneficial owners of the 2026 Bonds. See Appendix E hereto for a more complete description of DTC and the book-entry only system for the 2026 Bonds.

Tax Status. See "TAX TREATMENT" herein.

Professionals. Raymond James & Associates, Inc. (the "Underwriter") is underwriting the 2026 Bonds. Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, is serving as Bond Counsel and will also pass on certain legal matters relating to the Corporation. William Bulfer, Asheville, North Carolina, is the County Attorney and will pass on certain legal matters relating to the County. Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, is serving as counsel to the Underwriter. U.S. Bank Trust Company, National Association, Charlotte, North Carolina, is serving as Trustee. First Tryon Advisors, LLC, Charlotte, North Carolina, is serving as municipal advisor to the County in connection with the sale, execution and delivery of the 2026 Bonds.

Definitions; Document Summaries. See Appendix C hereto for a summary of certain provisions of the Contract, the Indenture and the Deed of Trust and for the definition of certain capitalized terms used herein. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Contract or the Indenture unless otherwise indicated.

THE 2026 BONDS

General

The 2026 Bonds will be dated as of the date of delivery thereof, and will mature, subject to the prepayment provisions described herein, on December 1 in the years and amounts set forth on the inside front cover. Interest with respect to the 2026 Bonds will be payable on each June 1 and December 1, beginning June 1, 2027, at the rates set forth on the inside front cover. Individual purchases of the 2026 Bonds will be made in denominations of $5,000 or integral multiples thereof.

The 2026 Bonds will be delivered as fully registered certificates in book-entry only form without physical delivery of certificates to the beneficial owners of the 2026 Bonds. The Trustee will make payments of principal and interest with respect to the 2026 Bonds to DTC, which will in turn remit such payments to DTC participants for subsequent distribution to the beneficial owners of the 2026 Bonds. See Appendix E hereto for more information regarding DTC and the book-entry only system for the 2026 Bonds.

Prepayment Provisions

Optional Prepayment. The 2026 Bonds maturing on or before December 1, 20__ are not subject to optional prepayment before their maturities. The 2026 Bonds maturing on or after December 1, 20__ are subject to optional prepayment in whole or in part on any date on or after December 1, 20__, at the option of the County, at the prepayment price equal to 100% of the principal amount of such 2026 Bonds to be prepaid, together with accrued interest to the date fixed for prepayment, all in the manner provided in the Indenture.

Mandatory Sinking Fund Prepayment. The 2026 Bonds maturing on December 1, 20__ are subject to mandatory sinking fund prepayment on December 1 in the following years and amounts from the principal components of the Installment Payments required to be paid by the County under the Contract with respect to each such prepayment date, at a prepayment price equal to 100% of the principal amount thereof to be prepaid, together with accrued interest to the date fixed for prepayment, as follows:

Year	**Amount**

* Maturity.

General Prepayment Provisions. If called for optional prepayment in part, the 2026 Bonds to be prepaid will be prepaid in such order as the County selects and within the same maturity as selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the 2026 Bonds is discontinued as provided in the Indenture, by lot within a maturity in such manner as the Trustee in its discretion may determine; provided, however, that the 2026 Bonds or portions thereof will be prepaid only in integral multiples of $5,000 ("Authorized Denominations").

Notice of prepayment identifying the 2026 Bonds or portions thereof to be prepaid will be given by the Trustee in writing not less than 30 days nor more than 60 days before the date fixed for prepayment by Electronic Means or by first class mail, postage prepaid (or, in the case of notice to DTC, by registered or certified mail or otherwise in accordance with DTC's then-existing rules and procedures) (1) to DTC or its nominee or to the then-existing securities depositories, or (2) if DTC or its nominee or another securities depository is no longer the Owner of the 2026 Bonds, to the then-registered Owners of the 2026 Bonds to be prepaid at their addresses appearing on the registration books maintained by the Trustee, (3) to the LGC, and (4) to the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access ("EMMA") system; provided however, that the Trustee will have no liability to any party in connection with any failure to timely file any notice with the MSRB via its EMMA system (or any successor thereto) and the sole remedy for any such failure will be an action by the Owners in mandamus for specific performance or similar remedy to compel performance.

Notwithstanding the foregoing, (1) if notice is given, the failure to receive an appropriate notice will not affect the validity of the proceedings for such prepayment, (2) the failure to give any such notice or any defect therein will not affect the validity of the proceedings for the prepayment of the 2026 Bonds or portions thereof with respect to which notice was correctly given, and (3) the failure to give any such notice to the LGC or the MSRB, or any defect therein, will not affect the validity of any proceedings for the prepayment of the 2026 Bonds. Any notice mailed as provided herein will be conclusively presumed to have been duly given, whether or not the Owner receives the notice.

In the case of an optional prepayment of the 2026 Bonds, the prepayment notice may state (1) that it is conditioned upon the deposit of money with the Trustee on the prepayment date at the time and in an amount equal to the amount necessary to effect the prepayment and such notice will be of no effect unless such money is so deposited, and (2) that the County retains the right to rescind the prepayment notice on or prior to the scheduled prepayment date, and such notice and optional prepayment will be of no effect if such money is not so deposited or if the notice is rescinded.

On or before the date fixed for prepayment, funds will be deposited with the Trustee to pay, and the Trustee is authorized and directed to apply such funds to the payment of, the 2026 Bonds or portions thereof called, together with accrued interest with respect thereto to the prepayment date, and any required premium. On the giving of notice and the deposit of such funds for prepayment pursuant to the Indenture or as provided in the supplemental indenture related to the 2026 Bonds to be prepaid, interest

with respect to the 2026 Bonds or portions thereof thus called will no longer accrue after the date fixed for prepayment.

The 2026 Bonds or portions thereof called for prepayment will be due and payable on the prepayment date at the prepayment price, together with accrued interest with respect thereto to the prepayment date and any applicable prepayment premium. If any required notice of prepayment has been given and money sufficient to pay the prepayment price, together with accrued interest with respect thereto to the prepayment date and any required prepayment premium, has been deposited with the Trustee, the 2026 Bonds or portions thereof so called for prepayment will cease to be entitled to any benefit or security under the Indenture and the Owners of such 2026 Bonds will have no rights with respect to such 2026 Bonds or portions thereof so called for prepayment except to receive payment of the prepayment price and accrued interest to the prepayment date from such funds held by the Trustee.

Any scheduled optional prepayment of 2026 Bonds or portions thereof may be rescinded in whole or in part at any time prior to the prepayment date if the County delivers written notice to the Trustee instructing the Trustee to rescind the optional prepayment notice. The Trustee will give prompt notice of such rescission to the affected Owners of the 2026 Bonds. Any 2026 Bonds where optional prepayment has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default. Further, the failure of the Corporation or County to make funds available in part or in whole on or before the prepayment date will not constitute an Event of Default, and the Trustee will give immediate notice to the affected Owners of the 2026 Bonds that the optional prepayment did not occur and that the 2026 Bonds called for prepayment and not so paid remain Outstanding.

On surrender and cancellation of the 2026 Bonds called for optional prepayment in part only, a new 2026 Bond or 2026 Bonds of the same maturity and interest rate and of Authorized Denominations, in an aggregate principal amount equal to the unprepaid portion thereof, will be executed on behalf of the Corporation and authenticated and delivered by the Trustee. The expenses of such execution, authentication, delivery and exchange will be paid by the County as Additional Payments under the Contract.

Anything in the Indenture to the contrary notwithstanding, if an Event of Default occurs and is continuing, there will be no prepayment of less than all of the Bonds Outstanding.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS

The 2026 Bonds and any Additional Bonds evidence proportionate undivided interests in the rights to receive certain Revenues pursuant to the Contract. The 2026 Bonds will be proportionately and ratably secured with any Additional Bonds hereafter executed and delivered pursuant to the Indenture. Revenues are defined in the Contract to mean (a) all Net Proceeds not applied to the replacement of the Mortgaged Property, (b) all Installment Payments, and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund). Notwithstanding the foregoing, the Owner of each 2026 Bond is not entitled to receive more than the amount of principal and interest represented by such 2026 Bond.

Installment Payments and Additional Payments

Under the Contract, the County will be required to make Installment Payments directly to the Trustee in amounts sufficient to provide for the payment of the principal (whether at maturity, by prepayment or otherwise) and interest with respect to the 2026 Bonds and any Additional Bonds as the same become due and payable.

The County will also be obligated under the Contract to pay as Additional Payments to such persons as are entitled thereto the reasonable and customary expenses and fees (including, but not limited to, attorneys' fees, costs and expenses) of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the County or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon if the County fails to pay the same).

Budget and Appropriation

Pursuant to the Contract, the County will (a) cause its budget officer, as statutorily defined, to include the Installment Payments and the reasonably estimated Additional Payments coming due in each Fiscal Year in the corresponding annual budget request, (b) require that the deletion of such funds from the County's final budget or any amended budget be made only pursuant to an express resolution of the Board of Commissioners of the County (the "Board") which explains the reason for such action and (c) deliver notice to the Trustee and the LGC within five days after the adoption by the Board of the resolution described in clause (b) above. Nothing contained in the Contract obligates the County to appropriate money contained in the proposed budget for the payment of Installment Payments and reasonably estimated Additional Payments coming due under the Contract.

In connection with both Installment Payments and Additional Payments, the appropriation of funds therefor will be within the sole discretion of the Board.

Deed of Trust

In connection with the execution and delivery of the 2026 Bonds, the County will execute and deliver the Deed of Trust as security for its obligations under the Contract, granting a lien of record on the County's fee simple interest in the real property on which the new courthouse will be located, together with the improvements and fixtures thereon and to be constructed thereon, subject to certain permitted encumbrances as set forth in the Contract and the Deed of Trust. See "THE 2026 PROJECT" herein for more information regarding the 2026 Project.

The Deed of Trust authorizes future obligations evidenced by Additional Bonds executed and delivered under the Indenture to be secured by the Deed of Trust, provided that the maximum principal amount of present and future indebtedness that may be secured by the Deed of Trust at any one time does not exceed $200,000,000. The 2026 Bonds will be secured by the Deed of Trust on a parity with any Additional Bonds hereafter executed and delivered and outstanding under the Indenture.

The Mortgaged Property will consist of the site of the County's new courthouse and the improvements located and to be located thereon. The Deed of Trust will be recorded in the office of the Register of Deeds of Transylvania County, North Carolina. In connection with the execution and delivery of the 2026 Bonds, the County will obtain a title insurance policy in the amount of $20,000,000. Generally, a claim against a title insurance policy may only be made in the amount which is the lesser of the actual value of the real property and the amount of the title insurance policy.

So long as there is no Event of Default under the Deed of Trust, the Deed of Trust Trustee must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

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

(b) in connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, any of the following (1) the tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 25% of the aggregate principal component of the Installment Payments related to the Bonds then Outstanding under the Indenture, or (2) the County (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation or its assignee an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of any Outstanding Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property; or (3) the County delivers to the Beneficiary evidence that the release of such portion of the Mortgaged Property will not, in and of itself, result in the withdrawal, suspension, or reduction of the rating then assigned to such Outstanding Bonds from each nationally recognized rating agency then maintaining a rating on any Outstanding Bonds.

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

(d) in connection with the release of the entire Mortgaged Property, there is paid to the Corporation or its assignee an amount sufficient to provide for the payment in full of all of the 2026 Bonds and any Additional Bonds then Outstanding under the Indenture.

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

Indenture

Pursuant to the Indenture, the Corporation has assigned to the Trustee for the benefit of the Owners of the 2026 Bonds and any Additional Bonds executed and delivered under the Indenture (a) all rights, title and interest of the Corporation in the Contract (except for certain indemnification rights, certain notice rights and the right to Additional Payments payable to the Corporation), including its rights to receive the Installment Payments thereunder, (b) all rights, title and interest of the Corporation in the Deed of Trust and the Mortgaged Property, and (c) all money and securities from time to time held by the Trustee under the Indenture in any fund or account (except the Rebate Fund) and certain pledged personal property, if any.

Enforceability

NEITHER THE CONTRACT NOR THE 2026 BONDS CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF ANY CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF

THE COUNTY IS NOT PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS DUE THE OWNERS OF THE 2026 BONDS PURSUANT TO THE CONTRACT.

THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2026 BONDS UPON A DEFAULT BY THE COUNTY UNDER THE CONTRACT ARE LIMITED TO THOSE SPECIFIED IN THE CONTRACT AND THE INDENTURE, INCLUDING EXERCISING THE RIGHTS OF THE BENEFICIARY UNDER THE DEED OF TRUST AND THE RIGHTS OF THE TRUSTEE IN THE FUNDS HELD UNDER THE INDENTURE.

The 2026 Bonds will not constitute a debt or general obligation of the Corporation and will not give the Owners of the 2026 Bonds any recourse to the assets of the Corporation, but will be payable solely from amounts payable by the County under the Contract, from amounts realized on the foreclosure on the Mortgaged Property pursuant to the Deed of Trust and from funds held in certain funds and accounts under the Indenture for such purpose.

The enforceability of the Indenture, the Contract and the Deed of Trust is subject to bankruptcy, insolvency, fraudulent conveyance and other related laws affecting the enforcement of creditors' rights generally and, to the extent that certain remedies under such instruments require, or may require, enforcement by a court, to such principles of equity as the court having jurisdiction may impose. See "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Contract—Remedies on Default" in Appendix C hereto for a more complete description of the rights and powers of the Trustee upon the occurrence of an Event of Default under the Contract.

Additional Bonds

Under the conditions described in the Indenture and so long as no Event of Default has occurred and is continuing under the Indenture, Additional Bonds may be delivered by the Trustee at the direction of the Corporation to provide funds to pay: (1) the cost of expanding the Projects (as defined therein), acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the County for public purposes; (2) the cost of refunding all or any portion of the Bonds then Outstanding or any other financing obligations of the County; and (3) the Costs of Issuance relating to the execution, delivery and sale of the Additional Bonds.

The 2026 Bonds are payable on a parity with any Additional Bonds hereafter executed and delivered pursuant to the Indenture. The Installment Payments and any Installment Payments with respect to Additional Bonds executed and delivered under the Indenture will be deposited as received by the Trustee in the Bond Fund held by the Trustee. Money in the Bond Fund will be withdrawn and used to pay the principal and interest with respect to the 2026 Bonds and any Additional Bonds executed and delivered under the Indenture as the same become due and payable. See "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Indenture—Funds and Accounts—Use of Money in Bond Fund" in Appendix C.

CERTAIN RISKS OF OWNERS OF THE 2026 BONDS

Limited Obligation of the County; Value of Collateral

If the Installment Payments to be made by the County are insufficient to pay the principal and interest with respect to the 2026 Bonds or any Additional Bonds, as the same become due, or if any other Event of Default occurs under the Contract, the Trustee may declare the 2026 Bonds and all unpaid principal and interest components of Installment Payments to be immediately due and payable and direct

the Deed of Trust Trustee to foreclose on the County's interest in the Mortgaged Property under the Deed of Trust. See "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—The Contract—Remedies on Default" in Appendix C hereto.

SECTION 160A-20(f) OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR ANY BREACH OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST AND THAT THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2026 BONDS UPON A DEFAULT BY THE COUNTY UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE, INCLUDING SELLING THE SECURED PROPERTY UNDER THE DEED OF TRUST. THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH SALE WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2026 BONDS.

The appropriation of moneys to make the Installment Payments is within the sole discretion of the County. If the County fails to appropriate such moneys, the only sources of payment for the 2026 Bonds will be the moneys, if any, available in the respective funds and accounts held by the Trustee under the Indenture and the proceeds of any foreclosure and sale of the Mortgaged Property.

The Mortgaged Property is subject to various utility and other easements as well as use restrictions. Any purchaser at a foreclosure on the Mortgaged Property would be subject to such easements and use restrictions. The amount of sale proceeds from a foreclosure on the Mortgaged Property may be affected by (a) these easements and use restrictions, (b) the costs and expenses in enforcing the lien on and security interest in the Mortgaged Property, (c) the condition of the Mortgaged Property and (d) the occurrence of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received or appropriated moneys from insurance policies or any risk management program.

Environmental Risks

Environmental contamination of the Mortgaged Property and undiscovered or future environmental contamination could have a material adverse effect on the value of the Mortgaged Property. Upon such an occurrence, the County is required under the Deed of Trust to undertake whatever environmental remediation may be required by law. McGill Associates, P.A. prepared a Phase I Environmental Site Assessment on July 10, 2018, including an Environmental Data Resources Regulatory Review Report, Transaction Screen Questionnaire and other environmental due diligence procedures. The assessment revealed no evidence of Recognized Environmental Conditions in connection with the subject property at that time.

Uninsured or Underinsured Casualty

If (a) any portion of the Mortgaged Property is destroyed or damaged by fire or other casualty; (b) title to or the temporary or permanent use of any portion of the Mortgaged Property or the estate of the County or the Corporation or its assignee in any portion of the Mortgaged Property is taken under the power of eminent domain by any governmental authority; (c) a material defect in construction of any portion of the Mortgaged Property becomes apparent; or (d) title to or the use of any portion of the

Mortgaged Property is lost by reason of a defect in title thereto, then the County may, under the circumstances described in the Contract, elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) (a) the Net Proceeds are less than $1,000,000 and (b) a County Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use or (2) the County uses the Net Proceeds, together with any other available funds of the County that may be necessary, to prepay or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. In such event, the County shall direct the Trustee in writing to either deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds or in the Prepayment Fund or an escrow fund to effect the prepayment or defeasance of the Outstanding Bonds, as the case may be. The Contract requires the County to maintain certain insurance with respect to the Mortgaged Property, but such insurance may not cover all perils to which the Mortgaged Property is subject or provide sufficient Net Proceeds to fully repair or replace the Mortgaged Property.

Climate Change

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

Cybersecurity

The County, like other public and private entities, faces multiple cybersecurity threats including, but not limited to, hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems. These threats could result in adverse consequences to the County, including but not limited to operational disruption and misappropriation of assets or information. The County has implemented operational safeguards and cybersecurity procedures intended to strengthen its security platforms. However, no assurance can be given that such measures will protect against, or mitigate the impact of, the financial or operational damages that could result from a cybersecurity attack. The County adopted a new cybersecurity policy in the fiscal year ended June 30, 2026 and implemented several new programs to combat external threats. The County was awarded the "2026 Digital Counties Survey Award" for ranking 7th in the nation in the under-150,000 population category. This award focuses on cybersecurity, resilient infrastructure, disaster recovery and operational continuity.

Outstanding General Obligation Debt of the County

The County has general obligation bonds outstanding and may issue additional general obligation bonds and notes in the future. The County has pledged and will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes issued or to be issued. See the caption "THE COUNTY—Debt Information" in Appendix A for a description of the County's outstanding and authorized but unissued general obligation bonds. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

Additional Bonds and Other Indebtedness

The Corporation may execute and deliver Additional Bonds under the Indenture that are secured by the Mortgaged Property. The Deed of Trust authorizes future obligations evidenced by Additional Bonds to be secured by the Deed of Trust, provided that the total amount of obligations secured by the Deed of Trust at any one time does not exceed $200,000,000. The projects financed or refinanced with the proceeds of Additional Bonds may or may not become part of the Mortgaged Property. The execution and delivery of Additional Bonds may dilute the relative value of the collateral with respect to the 2026 Bonds. There is no limitation on the County entering into additional contracts which provide for obligations the payment on which is subject to annual appropriation. See "THE COUNTY—Debt Information" in Appendix A hereto.

THE CORPORATION

The Corporation is organized under the North Carolina Nonprofit Corporation Act (N.C.G.S. Chapter 55A-1 et seq., as amended, the "Nonprofit Act") and is authorized under the Nonprofit Act to carry out the purposes of promoting the general welfare of the citizens of the County by assisting the County in carrying out its governmental functions. Among the purposes which the Corporation is authorized to carry out is the acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment, such as the 2026 Project. The Corporation has no taxing power, no assets and no employees.

The current directors and officers of the Corporation are as follows:

Jaime Laughter, in such person's capacity as County Manager	Director/President
Jennifer Wright, in such person's capacity as Director of Budget & Internal Projects	Director/Vice President
Meagan O'Neal, in such person's capacity as Finance Director	Director/Treasurer and Secretary

The Corporation's officers and directors serve without compensation. The Corporation's role in the financing described herein will be limited. The Corporation's officers, directors and counsel will have the opportunity to review this Official Statement and the principal financing documents and to assist in their preparation. Counsel to the Corporation will deliver certain legal opinions in connection with the financing. The Corporation and the County expect, however, that the Corporation will have no continuing responsibilities or involvement with respect to the financing contemplated hereby.

THE 2026 PROJECT

The 2026 Project consists of the acquisition, construction and equipping of County judicial facilities, including, but not limited to, a new courthouse building, together with related site development and appurtenant improvements thereto. The courthouse is expected to be a 45,000 square foot, two-story facility with a partial basement, designed with the option for a future 45,000 square foot addition. The location will be adjacent to the current Public Safety Facility. Groundbreaking is planned for late 2026 with completion by late 2028. The 2026 Project is expected to cost approximately $42 million and will be funded by the 2026 Bonds and appropriated capital project funds.

ESTIMATED SOURCES AND USES OF FUNDS

The County estimates the sources and uses of funds in connection with the 2026 Project and the plan of finance to be as follows:

Sources	
Par Amount of the 2026 Bonds	$_____
[Net] Original Issue Premium/Discount on the 2026 Bonds	_____
Total	$_____
Uses	
2026 Project Costs	$_____
Costs of Issuance[1]	_____
Total	$_____

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

ANNUAL INSTALLMENT PAYMENT REQUIREMENTS

The following table sets forth for each fiscal year the amount of principal and interest required to be paid under the Contract with respect to the 2026 Bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total[1]
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
Total[1]			

[1] Totals may not foot due to rounding.

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

General

The County may make its Installment Payments under the Contract from any source of funds legally available to it in each Fiscal Year and appropriated therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 BONDS" herein.

General Fund Revenues

The County's general fund revenues (excluding fund balance appropriations) for the fiscal year ended June 30, 2026 were $84.3 million (unaudited). For the fiscal year ended June 30, 2026, the County imposed an ad valorem tax of $0.4105 per $100 of assessed value. For the fiscal year ending June 30, 2027 the County imposed an ad valorem tax of $0.4105 per $100 of assessed value, which is expected to generate approximately $47,106,450 from ad valorem taxation. The General Statutes of North Carolina permit counties to impose ad valorem taxes of up to $1.50 per $100 assessed value for certain purposes

without the requirement of voter approval. See Appendix B hereto for a detailed description of the sources and uses of the County's general fund revenues for the fiscal year ended June 30, 2025.

CONTINUING DISCLOSURE

In the Contract, the County will agree, in accordance with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC"), to provide to the MSRB:

(a) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2026, the 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 are not then available, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months after the end of each Fiscal Year, beginning with the Fiscal Year ended June 30, 2026, the financial and statistical data as of a date not earlier than the end of such Fiscal Year for the type of information included in the tables under the captions "THE COUNTY—Debt Information" and "—Tax Information" (including subheadings thereunder) in Appendix A to this Official Statement (excluding, in each case, any information on overlapping or underlying units), to the extent such items are not included in the audited financial statements referred to in paragraph (a) above;

(c) in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the following events with respect to the 2026 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 any 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 2026 Bonds or other material events affecting the tax status of the 2026 Bonds;

(7) modifications of the rights of the beneficial owners of the 2026 Bonds, if material;

(8) call of any of the 2026 Bonds, other than mandatory sinking fund prepayments, if material, and tender offers;

(9) defeasance of any of the 2026 Bonds;

(10) release, substitution, or sale of any property securing repayment of the 2026 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 such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties; and

(d) in a timely manner, notice of a failure of the County to provide required annual financial information described in paragraphs (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.

The County will agree in the Contract that its undertaking described above is intended to be for the benefit of the Owners and the beneficial owners of the 2026 Bonds and is enforceable by the Trustee at the written direction of the Owners of a majority in aggregate principal amount of the 2026 Bonds then Outstanding and upon receipt of indemnity satisfactory to the Trustee, or by any of them, including an action for specific performance of the County's obligations under this paragraph, but a failure to comply will not be an Event of Default under the Contract and will not result in acceleration of the principal component of Installment Payments. An action must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all of the Owners and beneficial owners of the 2026 Bonds.

The County may modify from time to time, consistent with Rule 15c2-12, the information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County, but:

(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 the 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 interest of the Owners or the beneficial owners, as determined by nationally recognized bond counsel or by the approving vote of the Owners of a majority in principal amount of the 2026 Bonds pursuant to the Indenture as may be amended from time to time.

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

All documents provided to the MSRB as described above are to be provided in an electronic format as prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB. The County may discharge its undertaking described above by transmitting those documents or notices in a manner subsequently required by the SEC in lieu of the manner described above.

The provisions of this section terminate on payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest with respect to the 2026 Bonds.

The County has not failed, in the previous five years, to comply in all material respects with any previous continuing disclosure undertakings entered into pursuant to Rule 15c2-12.

THE LOCAL GOVERNMENT COMMISSION

The Contract has been approved by the LGC. The LGC is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue and five others (three appointed by the Governor, one appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate and one appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the LGC's Secretary, who heads the LGC's administrative staff.

A major function of the LGC is the approval, sale and delivery of all North Carolina local government general obligation and revenue bonds and notes and the approval of contracts entered into under Section 160A-20 of the North Carolina General Statutes. 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 LGC 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.

LEGAL MATTERS

Certain legal matters related to the authorization, execution, sale and delivery of the 2026 Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel, whose form of approving legal opinion is set forth in Appendix D hereto. Parker Poe Adams & Bernstein LLP will also pass upon certain legal matters for the Corporation. Certain legal matters will be passed upon for the County by William Bulfer, Asheville, North Carolina, County Attorney, and for the Underwriter by Womble Bond Dickinson (US) LLP, Raleigh, North Carolina, counsel to the Underwriter.

TAX TREATMENT

General

On the date of execution and delivery of the 2026 Bonds, Parker Poe Adams & Bernstein LLP, Bond Counsel, will render an opinion that, under existing law, (1) assuming compliance by the County with certain provisions of the Code, the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations and (2) the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is exempt from State of North Carolina income taxation.

The Code imposes various restrictions, conditions and requirements relating to the exclusion of interest on obligations, such as the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds, from gross income for federal income tax purposes, including, but not limited to, the requirement that the County rebate certain excess earnings on proceeds and amounts treated as proceeds of the 2026 Bonds to the United States Treasury, restrictions on the investment of such proceeds and other amounts, and restrictions on the ownership and use of the facilities financed or refinanced with proceeds of the 2026 Bonds. The foregoing is not intended to be an exhaustive listing of the post-issuance tax compliance requirements of the Code, but is illustrative of the requirements that must be satisfied by the County subsequent to execution and delivery of the 2026 Bonds to maintain the excludability of the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds from gross income for federal income tax purposes. Bond Counsel's opinion is given in reliance on certifications by representatives of the County as to certain facts material to the opinion and the requirements of the Code.

The County has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2026 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the County with such covenants, and Bond Counsel has not been retained to monitor compliance by the County with such covenants subsequent to the date of execution and delivery of the 2026 Bonds. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2026 Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual or amount of interest with respect to the 2026 Bonds.

If the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the County to comply with any requirements described above, the County is not required to prepay the 2026 Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2026 Bonds. Prospective purchasers and owners of the 2026 Bonds are advised that, if the Internal

Revenue Service does audit the 2026 Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the County as the taxpayer, and the owners of the 2026 Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2026 Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026 Bonds should be aware that ownership of the 2026 Bonds and the accrual or receipt of the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2026 Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026 Bonds should consult their own tax advisors as to collateral tax consequences.

Proposed legislation is considered from time to time by the United States Congress that, if enacted, would affect the tax consequences of owning the 2026 Bonds. No assurance can be given that any future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could cause the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds to be subject directly or indirectly to federal, state, or local income taxation, adversely affect the market price or marketability of the 2026 Bonds or otherwise prevent the owners of the 2026 Bonds from realizing the full current benefit of the status of the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that Bond Counsel deems relevant to such opinion. Bond Counsel's opinion expresses the professional judgment of the attorneys rendering the opinion regarding the legal issues expressly addressed therein. By rendering its opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of the County, nor does the rendering of such opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Original Issue Discount

As indicated on the inside cover page, the 2026 Bonds maturing on December 1, 20__ (the "*OID Bonds*"), are being sold at initial offering prices that are less than the principal amount payable at maturity. Under the Code, the difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of each maturity of the OID Bonds is sold and (b) the principal amount payable at maturity of such OID Bonds, constitutes original issue discount treated as interest which will be excluded from the gross income of the owners of such OID Bonds for federal income tax purposes.

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID Bond may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

Original issue discount is treated as compounding semiannually (which yield is based on the initial public offering price of such OID Bond) at a rate determined by reference to the yield to maturity of each individual OID Bond. The amount treated as original issue discount on an OID Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such OID Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such OID Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of interest payable on such OID Bond during the particular accrual period. The tax basis is determined by adding to the initial public offering price on such OID Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior accrual periods. If an OID Bond is sold between semiannual compounding dates, original issue discount which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The Code contains additional provisions relating to the accrual of original issue discount in the case of owners of the OID Bonds who subsequently purchase any OID Bonds after the initial offering or at a price different from the initial offering price during the initial offering of the 2026 Bonds. Owners of OID Bonds should consult their own tax advisors with respect to the precise determination for federal and state tax purposes of the amount of original issue discount accrued upon the sale, redemption or other disposition of an OID Bond as of any date and with respect to other federal, state and local tax consequences of owning and disposing of an OID Bond. It is possible that under the applicable provisions governing the determination of state or local taxes, accrued original issue discount on an OID Bond may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment attributable to such original issue discount until a later year.

Original Issue Premium

As indicated on the inside cover page, the 2026 Bonds maturing on December 1, 20__ (the "Premium Bonds") are being sold at initial offering prices which are in excess of the principal amount

payable at maturity. The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner's cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the "adjusted basis" of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

LITIGATION

No litigation is now pending in any court seeking to restrain or enjoin the authorization, execution or delivery of the 2026 Bonds or contesting the authority of proceedings for the authorization, execution or delivery of the 2026 Bonds or the validity thereof, or the creation, organization, corporate existence or powers of the Corporation or the County, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Contract, the Indenture or the Deed of Trust by the Corporation or the County.

RATINGS

Moody's Investors Service and S&P Global Ratings have assigned to the 2026 Bonds the ratings set forth on the front cover hereof. Further explanation of the significance of such ratings may be obtained from such ratings agencies. The County has provided to such rating agencies certain information that has not been included in this Official Statement. The ratings are not a recommendation to buy, sell or hold the 2026 Bonds and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by such rating agencies. Such action may have an adverse effect on the market price of the 2026 Bonds. Neither the County nor the Underwriter has undertaken any responsibility after the execution and delivery of the 2026 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal. Any downward revision or withdrawal of such ratings may have an adverse effect on the market prices of the 2026 Bonds.

UNDERWRITING

The Underwriter has agreed under the terms of a Bond Purchase Agreement to purchase all of the 2026 Bonds, if any of the 2026 Bonds are to be purchased, at a purchase price equal to the aggregate principal amount of the 2026 Bonds, plus a [net] original issue [premium/discount] of $_____ and less an underwriter's discount of $_____. The Underwriter's obligation to purchase the 2026 Bonds is subject to certain terms and conditions set forth in such Bond Purchase Agreement.

The Underwriter may offer and sell the 2026 Bonds to certain dealers (including dealers depositing the 2026 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside cover page hereof. The public offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

First Tryon Advisors, LLC is serving as Municipal Advisor (the "Municipal Advisor") to the County with respect to the sale of the 2026 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the 2026 Bonds is contingent on the execution and delivery of the 2026 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 Appendices hereto.

MISCELLANEOUS

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

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APPENDIX A

THE COUNTY OF TRANSYLVANIA, NORTH CAROLINA

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THE COUNTY

General Description

The County was established in 1861 from portions of Jackson and Henderson counties. Located in the Appalachian Mountain Range in Western North Carolina, the County covers an area of 379 square miles of which approximately 50% is forest land. The Pisgah National Forest comprises approximately 88,400 acres or 36% of the total acreage of the County. Elevations in the County range from 1,265 feet near the Horsepasture River Valley to 6,045 feet near the Blue Ridge Parkway. The western and northern boundaries are formed by a chain of mountains embracing the Tennessee and Pisgah ranges. The Blue Ridge Mountain chain is located in the southern part of the County.

The City of Brevard ("Brevard") is the County seat and lies in the eastern part of the County. The Town of Rosman ("Rosman") is located in the southern part of the County and is the only other incorporated municipality in the County. Brevard is 35 miles southwest of Asheville, North Carolina; 60 miles north of Greenville, South Carolina; 136 miles east of Knoxville, Tennessee; 170 miles west of Charlotte, North Carolina; 170 miles north of Atlanta, Georgia; 270 miles west of Raleigh, North Carolina; 470 miles south of Washington, D.C.; and 750 miles south of New York City, New York. Seventy-five percent of the United States' population is within a day's drive of the County.

Demographic Characteristics

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

2000	2010	2020
29,334	33,090	32,986

The North Carolina Office of State Budget and Management has estimated the population of the County to be as follows:

2021	2022	2023	2024	2025
33,083	33,222	33,563	33,805	33,826

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

Year	County	State	United States
2020	$47,119	$51,816	$59,151
2021	53,353	57,233	64,692
2022	56,344	59,092	66,298
2023	61,090	62,233	70,002
2024	64,641	65,634	73,204

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

Commerce, Industry and Institutions

The County has a diversified economy, ranging in sectors from small-scale light manufacturing, pharmaceuticals, the public sector and a growing tourism sector. In the early 2000's, alongside shifting international economic headwinds, the County underwent a significant deindustrialization where it lost its three largest employers over the course of two years. In response, the local community sought to broaden the County's appeal and sought a plan to diversify its economy.

Over the past ten years, the County has seen significant growth in small-scale manufacturing, primarily in the recreation industry – a natural synergy given the proximity of many local homes and businesses to the County's national and state parks, which are major tourist destinations. With access to over one hundred thousand acres of public lands, three hundred miles of single-track mountain biking trails, and five hundred miles of fishable mountain streams, tourism and recreation industries have taken root in the County. In addition to recent commercial developments, the County has seen an increasing spillover from neighboring areas as individuals have constructed new housing seeking close proximity to the County's many natural assets.

In addition to the recreation industry, the County has also seen significant growth in the beverage sector, with the water quality of Brevard proving a prime attraction for major national beverage companies like Oskar Blues, which in 2012 opened a major regional hub and tasting room and has since expanded its operations as recently as 2021 into other industrial spaces in the County. In Oskar Blues' wake, several smaller beverage operations like the native Brevard Brewing and Ecusta Brewing have also opened and offered new tasting options to residents and visitors alike through local distribution.

Recently, the County has seen growth in high tech sectors as well, with a growing cluster for pharmaceuticals and nutraceuticals. Gaia Herbs is a nutraceutical company that has been in the County since the early 2000's and has expanded its market offerings with some materials grown in the County. Additionally, two local pharmaceutical companies were acquired by international businesses with the intent to locate and expand domestically. This includes the acquisition of PharmAgra Labs by Raybow Pharmaceuticals Ltd. and the acquisition of Pisgah Labs by IPCA USA. Both have been expanding since the acquisitions and represent over $75 million in new investments with job expansions for both upper-level lab and management and for manufacturing.

The County partnered with Brevard and the Transylvania Economic Alliance in 2018 to build a 60,000-square-foot shell facility to house two growing local companies, Sylvan Sport and Monster Energy. In 2025, the County expanded into a second phase with 40,000 square feet that is currently under a Letter of Interest from a new beverage company. The projects were funded by local funds along with Golden LEAF grants, and the lease payments are reinvested into local economic development.

The following table lists the number and value of building permits issued in the County in the years shown, illustrating the construction activity described in the paragraphs above. The development data for the five fiscal years ended June 30, 2022 through June 30, 2026 is presented below:

Fiscal	Commercial		Residential		Total
Year Ended	Units	Value	Units	Value	Value
2022	14	$14,879,764	180	$112,428,517	$127,308,281
2023	27	19,930,203	193	107,627,090	127,557,293
2024	12	11,524,932	194	118,593,811	130,118,743
2025	18	15,644,107	184	135,619,921	151,264,028
2026	18	7,694,304	160	131,819,558	139,513,862

For the fiscal year ended June 30, 2026, an estimated $38.7 million in accommodation stays for travel and tourism retail occurred, which reflected a return to typical tourism levels for the County after a decrease in the fiscal year ended June 30, 2025 due to the effects of Hurricane Helene. Slightly over half of the County's 242,988 acres are publicly held. Within the County's boundaries lie Gorges State Park and the new Headwaters State Park and portions of DuPont State Forest, Pisgah National Forest, and Nantahala National Forest. These areas afford opportunities for sightseeing, camping, picnicking, hiking, rock climbing, fishing, and other outdoor activities. The County's natural resources also make it an ideal location for 15 summer camps. The County is home to two premier cultural attractions as well: the Brevard Music Center and the Brevard College Porter Center for Performing Arts. The Music Center is not only a major summer music festival location that draws annual audiences of 50,000, but also a respected educational institution that offers intensive musical instruction. Each summer about 400 students, ages 14 and older, attend to study and perform with a faculty of professional musicians. Approximately 80 concerts are presented during a seven-week season. The County Tourism Development Authority and partner organizations have intensified their promotion of area attractions. They have launched creative advertising campaigns using television commercials, a website, an interactive CD, print media, and face-to-face contacts at conferences and fairs.

Total taxable sales in the County for the fiscal years shown below are as follows:

Fiscal Year Ended June 30	Total Taxable Sales	Increase/Decrease Over Previous Year
2022	$563,536,108	--
2023	605,529,611	7.45%
2024	624,376,110	3.11
2025	628,788,189	0.70
2026	680,784,971	8.27

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

Agricultural sales in the County generate approximately $29 million in receipts annually (per the NC Agricultural Statistics 2022 data). The majority of this - $23 million - comes from crops, with livestock, dairy and poultry representing $6 million of the remaining receipts. Farmland, measured in acres, was 11,537 acres as of the 2022 Agriculture Census per the USDA's National Agricultural Statistics Service North Carolina Field Office, and represents 5 percent of the County's total acreage.

There are five banking institutions in the County: Fifth Third Bank, First Bank, First-Citizens Bank & Trust Company, United Community Bank, and Wells Fargo Bank. Four credit unions - Champion Credit Union, State Employees Credit Union, Self-Help Credit Union and Telco Community Credit Union - also provide financial services to County residents.

The following table lists the major employers in the County for the 1st quarter of 2026:

Company or Institution	Product or Service	Approximate Number of Employees
Transylvania County Schools	Education	500-999
Transylvania County Government	Government	250-499
Ingles Markets, Inc.	Retail store	250-499
Brevard College	Higher education	250-499
Transylvania Regional Hospital	Health	250-499
Transylvania Vocational Services	Nonprofit Corporation	100-249

Gaia Herbs, Inc.	Pharmaceuticals	100-249
City of Brevard	Government	100-249
Wal-Mart Associates	Retail store	100-249
Lowe's Home Centers	Retail store	100-249

Source: North Carolina Department of Commerce, Division of Labor and Economic Analysis (1st Quarter 2026)

Employment

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	3.8%	3.8%	3.3%	3.1%	3.4%	3.8%	3.4%	3.8%	3.2%	3.7%	3.6%	3.0%
2023	3.6	3.6	3.2	2.8	3.3	3.3	3.3	3.5	3.1	3.4	3.3	2.9
2024	3.4	3.6	3.3	3.0	3.3	3.6	3.6	3.6	2.9	4.2	4.1	3.5
2025	4.1	3.9	3.8	3.5	3.7	3.6	3.5	3.8	3.5	N/A*	3.8	3.2
2026	3.7	3.6	3.3	3.3	3.3	3.3	3.4	3.2	N/A			

Source: North Carolina Department of Commerce, Division of Labor and Economic Analysis
*Unemployment rates for October 2025 were not calculated due to the federal government shutdown.

Government and Major Services

Government Structure. The County has a commissioner/manager form of government. The governing body of the County is a five-member Board of Commissioners elected at-large on a partisan basis for staggered four-year terms. The Board of Commissioners appoints a County Manager who serves as the chief administrative officer of the County and is responsible for the administration of County affairs and policies established by the Board of Commissioners and coordination of the various County departments.

Education. The County school system serves approximately 2,965 students in grades K-12 as of the 2026 school year. The system, composed of three high schools, two middle schools, and four elementary schools, is administered by a Board of Education whose five members are elected. The chief executive officer is the superintendent, who is appointed by the Board of Education. The County school system continues to be rated as one of the best school systems in the State.

The State provides a basic education program for each public school unit. Current operating expenses of the County school system are funded 57% from State sources, 13% from Federal sources and 30% from Local sources.

The County continues to be among the top ten counties in the State regarding funding on a per-student basis. In the fiscal year ended June 30, 2026, the County contributed $14,703,662 towards the operating costs and $1,192,006 towards the capital costs paid by schools. The County's budget for the fiscal year ending June 30, 2027 includes $15,017,233 for operating costs and $1,414,281 for direct capital costs of the County school system. Current capital projects for the County's school system include projects funded by the County's 2024 general obligation bonds in the amount of approximately $46 million. The County's school system has also received $62 million from the NC Lottery Needs Based Grant fund to construct a new CTE wing at Brevard High School.

The following table reflects the number of schools and Average Daily Membership ("ADM") for the County school system, with the current enrollment figures based on ADM on the last day of the month.

These figures are sourced from the North Carolina Department of Public Instruction. This is calculated on a uniform basis for all public school units in the State:

	Elementary Grades (K-5)		Intermediate Grades (6-8)		Secondary Grades (9-12)	
School Year	No. of Schools	ADM	No. of Schools	ADM	No. of Schools	ADM
2021-22	4	1,379	2	748	3	1,086
2022-23	4	1,392	2	736	3	1,050
2023-24	4	1,380	2	684	3	1,066
2024-25	4	1,370	2	656	3	1,072
2025-26	4	1,289	2	620	3	1,056

The County also has one charter school serving approximately 418 additional students.

Advanced educational opportunities exist in the County through Brevard College and a satellite campus of Blue Ridge Community College. Brevard College is a four-year coeducational, residential, liberal arts college affiliated with the Western North Carolina Conference of the United Methodist Church. The current student enrollment is approximately 875 students. The Blue Ridge Community College satellite campus offers two-year technical and associate degrees and many adult and continuing education classes.

Within an hour's drive of Brevard are two universities: The University of North Carolina at Asheville and Western Carolina University. Both are member institutions of the University of North Carolina System and offer four-year degrees and master's programs. Western Carolina University offers doctoral degrees in five areas of study.

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.

U.S. Highways 276 and 64 traverse the County. The County is also served by N.C. Highway 280, a direct link to Interstate Highway 26.

The County operates a public transportation system, with fixed route service along the U.S. Highway 64 corridor between the municipalities of Brevard and Rosman, and also operates demand-response ridership programs on a reservation basis for residents in unincorporated areas of the County.

Air transportation is available at the Asheville Regional Airport located approximately 20 miles from Brevard. Regularly scheduled flights are available on American Airlines, United Airlines, Delta Air Lines and Allegiant Air presently to 13 destinations, with connections available in Charlotte, Orlando, Chicago, Dallas-Ft. Worth, Washington, Atlanta and Philadelphia. Allegiant flies to four destinations in Florida and to Las Vegas.

Human Services.

Public Health. The County Department of Public Health provides environmental health and personal health services. Environmental health services include continuing surveillance of area food, milk, and water supplies, institutions and lodgings, and septic tanks and sewage disposal facilities. Personal health services are provided by physicians and public health nurses. Programs for children include immunization,

school health, defect and disease screening, and child health clinics. Adult services include communicable disease control, family planning, and chronic disease screening.

All public health services are supported by health education and nutrition programs, laboratory services and administrative functions.

Social Services. The County Department of Social Services is jointly funded by federal, State, and County funds and is the public welfare agency for the County. Numerous social work programs are provided by this department in close coordination with and financially supported by the North Carolina Department of Health and Human Services. The Social Services Department is overseen by a Director of Social Services who is appointed and managed by an appointed Board of Social Services.

The County also has a Child Development Department, which provides subsidized and unsubsidized childcare to residents of the County and is administered by the Department of Social Services.

Medical Services. The County is served by Transylvania Regional Hospital, a Mission Health facility of the for-profit HCA Healthcare, Inc. With a medical staff of 120 active, consulting and courtesy physicians representing various primary care and specialty areas, the hospital provides general medical and surgical services, comprehensive outpatient services, neonatal services, ICU/CCU services and Home Care/Home Life/Lifeline and transitional care.

Mental Health. With the implementation of Mental Health Reform in North Carolina, the County experienced the transition of mental health services from area mental health providers to local community providers. Currently, the County has one major provider, Blue Ridge Health, which is funded primarily by the Vaya Health local management entity. The County contributes approximately $99,261 per year as a part of the maintenance of effort for this entity.

Recreation. The County Parks and Recreation Department oversees and maintains five parks totaling approximately 112 acres. Facilities at these parks include ball fields, a picnic area, outdoor multi-purpose courts and playgrounds. This department also operates three river access sites.

Public Service Enterprises. Brevard and Rosman own and operate their own water and sewer systems. The County does not contribute to their support. The balance of the County is served by privately-owned water and septic or sanitary sewer systems.

Fire protection is provided by eight fire departments through contracts with the County. These departments fund their own activities by taxes levied and collected on their behalf by the County in a single tax district which covers areas outside of Brevard. The County approves budget funds for the departments to provide fire and rescue protection across the County.

The County has one volunteer rescue squad and one County-operated ambulance service. The rescue squad is funded by the County. The County ambulance service is funded by County appropriations and user fees.

The County operates the only sanitary landfill in the County as well as three solid waste collection stations. The operation of the landfill is financed by County funds and user fees. Solid waste collection is provided by the two municipalities within their respective corporate limits and by the County and independent private franchised haulers in the unincorporated portions of the County. Cell number 5 for the County landfill was completed in December 2007. Construction on a sixth cell began in 2026 and is expected to be complete and operational in the fiscal year ending June 30, 2027. Based on terrain and current regulations, the County believes that it has sufficient land to continue operating solid waste services for many years to come.

State and federal laws and regulations require the County to place a final cover on the landfill when it is no longer in use and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will not be incurred until after the facility stops accepting waste, the County has established a reserve fund to accumulate resources for their eventual payment. Each fiscal year the County sets aside money for those future costs based on the percent of estimated landfill capacity that has been used to date. The County expects that interest earnings on the reserved funds will augment the annual contributions and offset inflation so that, when the site is closed, there will be adequate funds available to meet the County's closure and post-closure care obligations.

The County is provided electric service by Duke Energy Carolinas and Haywood Electric Membership Corporation.

Public Service Company of North Carolina, Inc. d/b/a Enbridge Gas North Carolina provides natural gas to portions of the County.

Comporium Communications, based in Rock Hill, South Carolina, provides telephone and internet service within the County for the majority of access, but data transport needs are also supplemented by SkyRunner, a point to point service out of Asheville, NC.

Debt Information

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County had the statutory capacity to incur additional net debt in an approximate amount of $923,122,837 (unaudited) as of June 30, 2026. For a summary of certain constitutional, statutory and administrative provisions governing or relating to the incurrence of debt by units of local government of the State, see Appendix B.

Outstanding General Obligation Debt.

	Principal Outstanding as of June 30,	
	2025	2026
School Bonds[1]	$44,335,000	$42,000,000

[1] The School Bonds consist of the $46,665,000 General Obligation School Bonds, Series 2024, with principal due in annual installments through April 2044 and interest rates ranging from 3.875% to 5.00%. The County does not have any other outstanding general obligation bonds.

General Obligation Debt Ratios.

At June 30	Total GO Debt	Total Assessed Valuation	Total GO Debt to Assessed Valuation	Population[1]	GO Debt Per Capita
2025	$44,335,000	$ 7,723,101,682	0.57%	33,826	1,311
2026	42,000,000	12,064,035,467	0.35	33,826	1,242

[1]For purposes of this schedule, the 2025 population estimate is being used.

General Obligation Debt Service Requirements as of June 30, 2026.

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 2,335,000	$ 1,951,463	$ 4,286,463
2028	2,335,000	1,834,713	4,169,713
2029	2,335,000	1,717,963	4,052,963
2030	2,335,000	1,601,213	3,936,213
2031-2035	11,675,000	6,254,813	17,929,813
2036-2040	11,665,000	3,359,613	15,024,613
2041-2044	9,320,000	905,788	10,225,788
Total	$42,000,000	$17,625,566	$59,625,566

General Obligation Bonds Authorized and Unissued.

Purpose	Date Approved	Authorized and Unissued
School	11/06/2018[1]	$21,335,000

[1] Pursuant to North Carolina General Statutes, the seven-year period for issuing bonds under a bond order may be extended for an additional three years, subject to approval by the North Carolina Local Government Commission and compliance with the procedures prescribed therein. In October 2024, the County extended the period for issuing bonds under its school bond order from seven years to ten years.

General Obligation Debt Information for Underlying Units as of June 30, 2026.

Unit	2025 Estimated Population	Assessed Valuation	Tax Rate Per $100	GO Debt Authorized & Unissued	GO Debt Total GO Debt	Total GO Debt Per Capita
Brevard	8,086	$1,390,388,411	0.48	-0-	-0-	-0-
Rosman	773	31,809,822	0.46	-0-	-0-	-0-

Sources: North Carolina Office of State Budget and Management; County Budget and Finance Office.

Other Long-Term Debt/Commitments.

The County's capital management planning uses varied funding strategies including a mixture of cash complemented with financing tools. The County closed on an EMS loan for $5.5 million in the fiscal year ended June 30, 2024 and as of June 30, 2026 was liable for the remaining balance of $4.4 million. There was also an installment financing agreement issued in September of 2015 for the renovation of a facility on the downtown County campus that houses the Transylvania County Board of Elections offices and the County's wellness clinic with an amount of $455,326 outstanding. The following table sets forth

for each fiscal year the amount of principal and interest required to be paid with respect to the installment financing agreements:

Fiscal Year Ending June 30,	Principal	Interest	Total[1]
2027	$ 487,497	$ 167,468	$ 654,965
2028	487,497	151,221	638,718
2029	487,497	134,975	622,472
2030	460,834	118,729	579,563
2031	367,000	104,379	471,379
2032	367,000	91,314	458,314
2033	367,000	78,249	445,249
2034	367,000	65,184	432,184
2035	366,000	52,118	418,118
2036	366,000	39,089	405,089
2037	366,000	26,059	392,059
2038	366,000	13,030	379,030
Total[1]	$4,855,326	$1,041,814	$5,897,140

[1] Totals may not foot due to rounding.

Debt Outlook.

The County regularly examines the capital needs associated with its obligations to provide certain public services and may consider future debt issuance as appropriate. Within the next two years, the County anticipates issuing the remaining balance of the School Bonds authorized at a bond referendum held in November 2018 for various public school improvements.

Tax Information

General Information.

	Fiscal Year Ended or Ending June 30,				
	2023	2024	2025	2026 (Unaudited)	2027 (Estimated)
Assessed Valuation:					
Assessment Ratio[1]	100%	100%	100%	100%	100%
Real Property	$6,691,703,035	$6,801,093,656	$6,917,300,828	$11,143,744,181	$11,337,699,214
Personal Property	579,523,998	603,606,751	640,300,064	740,321,232	741,893,978
Public Service Companies[2]	146,838,243	158,975,739	165,500,790	179,970,054	196,865,758
Total Assessed Valuation	$7,418,065,276	$7,563,676,146	$7,723,101,682	$12,064,035,467	$12,276,458,950
Tax Rate per $100	.6033	.6033	.6033	.4105	.4105
Levy[3]	$42,980,741	$43,795,323	$44,891,336	$47,467,688	$47,460,448

[1]Percentage of appraised value has been established by statute.
[2]Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

[3]County-wide levy only; does not include fire district levies. Includes releases, abatements, discoveries and penalties.

The revaluation of real property became effective with the 2025 tax levy and resulted in a significant increase in the growth of the market value of real property.

In addition to the County-wide levy, the following table lists the approved total budgets of the eight fire departments funded by the County's fire district levy for the fiscal years ended or ending June 30:

	2023	2024	2025	2026	2027
County-wide	$42,980,741	$43,795,323	$44,891,336	$47,467,688	$47,460,448
Fire Districts	3,175,401	3,245,780	3,476,147	6,757,782	6,844,048
Total Levy	$46,156,142	$47,041,103	$48,367,483	$54,225,470	$54,304,496

Tax Collections.

Fiscal Year Ended June 30	Prior Years' Levies Collected	Current Year's Levy Collected	Percentage of Current Year's Levy Collected
2022	$ 62,725	$42,039,886	99.84%
2023	62,397	42,892,480	99.79
2024	74,049	43,695,477	99.77
2025	109,880	44,786,049	99.77
2026	85,953	47,352,840	99.76

Ten Largest Taxpayers for the Fiscal Year Ended June 30, 2026.

Name	Type of Enterprise	Assessed Valuation	Tax Levy	Percentage of County Total Assessed Valuation
Duke Energy Carolinas LLC	Electric Utility	$222,966,206	$558,012	1.85%
MH Transylvania Regional	Hospital/Medical	33,362,810	137,538	0.28
Citizens Telephone Co (Comporium)	Communications	47,079,896	129,035	0.39
Haywood Electric Member Corp	Electric Utility	53,239,235	127,907	0.44
Morris Charles H. Trustee	Conservation/Land Trust	14,818,650	97,551	0.12
Brevard Retirement Investors	Retirement home facilities	21,550,450	88,465	0.18
Lake Toxaway Co.	Real estate development	17,146,030	82,387	0.14
Spencetarn LLC	Residential	15,560,806	74,782	0.13
Safee Edward F & Natalie	Residential	14,823,063	70,941	0.12
Lochstone Legacy LLC	Residential	14,662,110	70,451	0.12
TOTALS		$455,209,256	$1,437,068	3.77%

2025-2026 Budget Commentary

The fiscal year ended June 30, 2026 reflected continued cost increases related to personnel, education, public safety equipment, technology, and long-term capital needs. The County continued investments in employee recruitment and retention, education, fire and emergency services, and capital planning while managing a heavily residential tax base, flat sales tax expectations, and the transition of major projects into active debt repayment. General Fund revenues are expected to total approximately $84.3 million. After year-end expenditures, transfers, and approximately $2.3 million in carryforwards, the

County expects to add approximately $2.2 million to fund balance. This result includes a $5.8 million assignment for future debt service, strengthening the County's position to meet the County's needs for expected school, EMS, and courthouse capital obligations.

2026-2027 Budget Outlook

In the fiscal year ending June 30, 2027 the County continues to balance costs related to its current services and a significant capital program against limited revenue growth. The $82.5 million General Fund budget represents a 1.47 percent increase over the fiscal year ended June 30, 2026, with no increase in the property tax rate and no reductions in service levels. The budget maintains support for education and scheduled capital needs while addressing higher health insurance costs, debt service, and preparations for courthouse financing and a second school bond issuance. Looking ahead, workforce recruitment and retention, inflation, potential state and federal funding changes, and the future operating costs of new facilities will continue to place pressure on the County's budget.

Post-Employment Benefits

Retirement Plan. The County participates in the North Carolina Local Governmental Employees' Retirement System and three other pension plans.

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

The System provides, on a uniform System-wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute six percent of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The employer contribution rate for fiscal year 2025-26 was 14.39% for general employees and 16.08% for law enforcement officers. The employer contribution rate for fiscal year 2026-27 is 15.14% for general employees and 17.10% 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 the System.

Members qualify for a vested deferred benefit at age 50 with at least 20 years of service or at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits are available: at age 65, with at least five years of creditable service; at age 60, with at least 25 years of creditable service; or after 30 years of creditable service, regardless of age. Benefit payments are computed by taking an average of the annual compensation for the four consecutive years of membership service yielding the highest average. This average is then adjusted by a percentage formula, by a total years of service factor, and by an age service factor if the individual is not eligible for unreduced benefits.

Contributions to the System are determined on an actuarial basis.

For information concerning the County's participation in the System see Note 3 of the Notes to the Financial Statements of the County in Appendix B.

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

Other Pension Plans — The County also participates in the (1) Law Enforcement Officers' Special Separation Allowance, (2) Supplemental Retirement Income Plan for Law Enforcement Officers and (3) Register of Deeds' Supplemental Pension Fund. For information concerning the County's participation in such plans see Note 3 of the Notes to the Financial Statements of the County in Appendix B.

Beginning July 1, 2025, the County's benefits include a 2% 401(k) contribution for all active full-time employees. This contribution does not require any waiting period or match from the employee and begins at the time of employment.

Other Post-Employment Benefits. The County offered in a one-time decision for employees, certain post-employment health care benefits ("OPEB") to a limited number of County employees. At the beginning of fiscal year 2007, the County offered to all employees with at least ten years of service as of July 1, 2006, a one-time opportunity to choose one of the following options for their retiree medical plan:

1. A $1,500 contribution made by the County to a 457(b) plan with no matching employee contribution.
2. Retiree medical coverage based on the employee's age and years of service with Transylvania County from retirement until the attainment of Medicare eligibility.

Seventy-four eligible employees elected to enroll in the County's post-employment medical and dental plans. A retired employee who participates in such plans pays zero to forty percent of the active employee rate based on age and years of service with the County. Benefits under such plans cease when the retiree becomes eligible for Medicare (or reaches the age at which he would have had such benefits had he been qualified for Social Security).

It should be noted that because of the structure of the retiree health plan, the County's ongoing obligation is limited in coverage and duration. The maximum number of participants is the 74 employees who enrolled when the plan was offered, and the plan benefits will cease when the last of these employees becomes eligible for Medicare. Based on current trends and the current Medicare eligibility age, there will be zero remaining employees on the post-employment medical and dental plan by the fiscal year ending June 30, 2038.

Based on the County's latest actuarial valuation, dated June 30, 2026, membership in the plan consisted of 36 participants (24 retirees and dependents receiving benefits and 12 active plan members), with a total OPEB liability, measured as of June 30, 2026, of $2,523,528.

The County provides these benefits under a self-insured plan funded by the County. Qualified retirees can also purchase coverage for their dependents at the County's group rates.

In addition, all County employees have an option to purchase COBRA basic medical/dental insurance at the County's group rate for the lesser of 18 months or until they reach age 65. The entire cost of this insurance is paid by the employees.

For additional information concerning the County's obligation to provide such health care benefits, see Note 3 of the Notes to the Financial Statements of the County in Appendix B.

Contingent Liabilities

No litigation is now pending or, to the best of the County's knowledge, threatened against or affecting the County which seeks to restrain or enjoin the authorization, execution or delivery of the 2026 Bonds or which contests the County's organization or corporate existence, or the title of any of the present

officers thereof to their respective offices or the authority or proceedings for the County's authorization execution or delivery of the 2026 Bonds, or the County's authority to carry out its obligations thereunder or which would have a material adverse impact on the County's condition, financial or otherwise.

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APPENDIX B

FINANCIAL INFORMATION CONCERNING
THE COUNTY OF TRANSYLVANIA, NORTH CAROLINA

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APPENDIX B

Management Discussion and Analysis

The following is Management's Discussion and Analysis of the financial activities of the County, lifted from the Annual Comprehensive Financial Report for the County for the fiscal year ended June 30, 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.

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Management's Discussion and Analysis

As management of Transylvania County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Transylvania County for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the information provided in our letter of transmittal and in the financial statements that follow this narrative.

Financial Highlights

- Transylvania County's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by $131,681,363. The net position of the County increased over the prior fiscal year by $8,550,039 (6.80%).

- The County's General Fund balance increased by $3,053,964, or by 6.11%. Of this total, $4,754,738 (8.96%) was non-spendable and $10,131,904 (19.10%) was restricted. $22,750,536 was assigned or committed representing 42.88% of the County General Fund's balance. $15,416,341 was unassigned (29.06%).

- At the close of the fiscal year, the County's governmental funds reported combined fund balances of $135,434,257 reflecting an increase of $49,918,467 over the prior year or 58.37%. Approximately 52.81% of the balance is restricted or non-spendable, totaling $71,517,054. Another 36.14%, or $48,949,027, is either committed or assigned for specific purposes, leaving the remaining $14,968,176 (11.05%) unassigned.

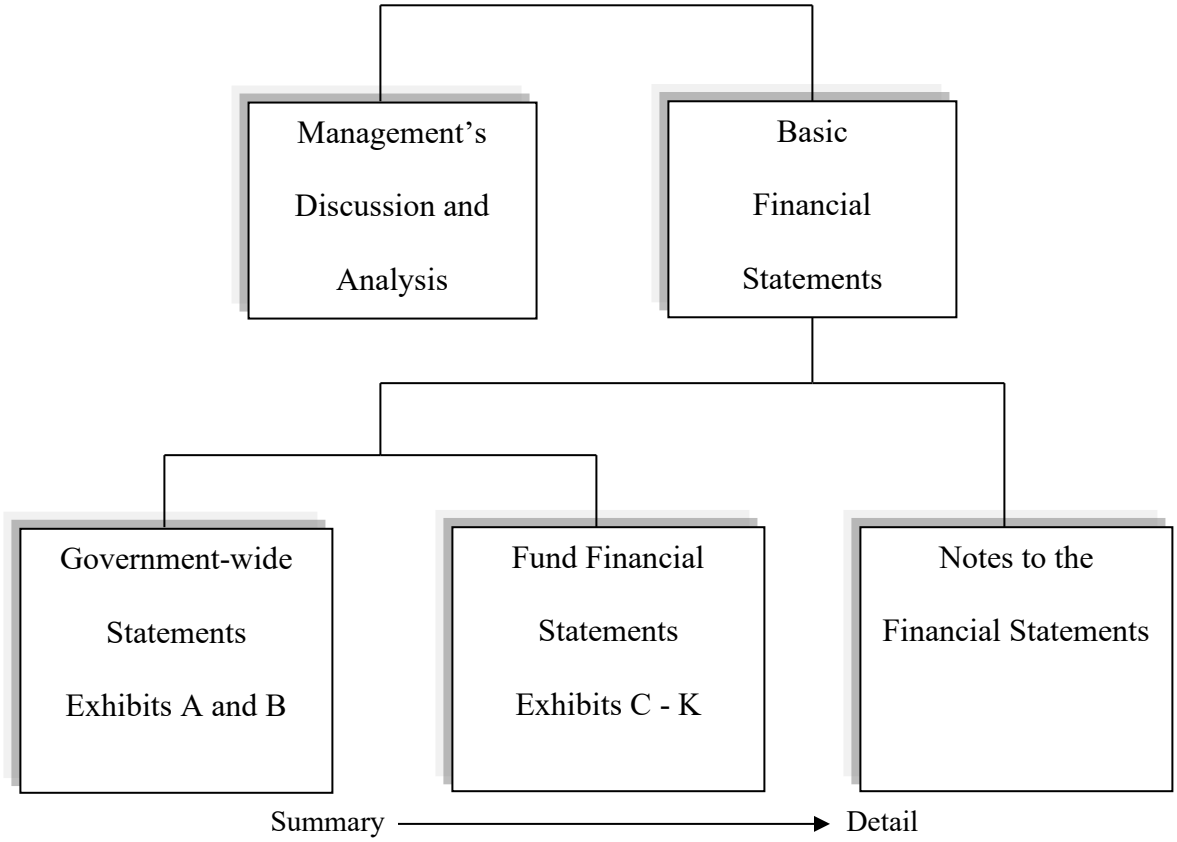
- As of June 30, 2025, the County had long-term outstanding debt of $50,105,253, an increase of $43,904,910 or 708.10%. This increase in long-term obligations is related to the issuance of General Obligation Bonds, as well as lease liabilities issued.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Transylvania County's basic financial statements. These statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County using 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 Transylvania County.

Required Components of Annual Financial Report

Figure 1



Government-wide Financial Statements

The government-wide financial statements (Exhibits A and B) are designed to provide the reader with a broad overview of Transylvania County's finances in a manner like private-sector financial statements. The focus of these statements is the measurement of *economic resources* of the County. Prepared using the full accrual basis of accounting, the government-wide financial statements record the impact of all transactions when the transaction occurs. This approach recognizes that the financial implications of certain transactions initiated in the current period can extend into future periods. Consequently, these statements provide both short and long-term information about the County's financial status.

The two government-wide statements present the County's net position at the end of the year and how it has changed during the year. The *Statement of Net Position* (Exhibit A) shows the County's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, with the difference between the two reported as net position. Net position is divided into three categories based on availability for funding ongoing obligations: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

The *Statement of Activities* (Exhibit B) shows what caused the County's net position to increase or decrease over the most recent fiscal year. Since all changes are reported as soon as the event giving rise to them occurs, revenues and expenses are included in this statement even though the related cash flow may not occur until later. The *Statement of Activities* also compares the costs of the County's various functions with the sources of funding for those activities, highlighting the balance that must be subsidized through property taxes and other general revenues. By examining the government-wide statements, the reader may assess whether Transylvania County's overall financial position has improved or deteriorated because of current year transactions and evaluate the adequacy of the County's existing economic resources to support future years' ongoing needs, special projects, and long-term financial obligations.

Transylvania County's government-wide statements are prepared for three categories of activities:

- **Governmental activities** – These activities include the County's basic services such as public safety, human services, culture and recreation, general administration, and education. These services are financed predominantly through property taxes, sales taxes, and state and federal grant monies.

- **Business-type activity –** The only business-type activity that Transylvania County engages in is the operation of a landfill, which is financed primarily through user fees, with supplemental revenues from property taxes and other intergovernmental sources.

- **Component Units** - The County has one component unit: the Transylvania County Tourism Development Authority. The tourism development authority is a legally separate entity and is treated as a discretely presented component unit with its financial activity reported separately on the government-wide financial statements. For more detailed information, please refer to the Annual Comprehensive Financial Report prepared for the Transylvania County Tourism Development Authority.

The government-wide financial statements appear on pages 17 to 20 of this report.

Fund Financial Statements

There are four components of the fund financial statements (Exhibits C through K): (1) the governmental funds statements, (2) the budgetary comparison statement, (3) the proprietary fund statements, and (4) the fiduciary fund statements. These statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Transylvania County's funds may be divided into three categories - governmental, proprietary, and fiduciary. Like all other governmental entities in North Carolina, Transylvania County uses fund accounting to ensure and demonstrate compliance with federal, state, and local financial and legal requirements.

Governmental Funds – Most of the County's basic services are accounted for in the governmental funds. These functions are the same ones that are reported as governmental activities in the government-wide financial statements. There are two governmental fund financial statements, the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balance* (Exhibits C through E). In contrast to

the government-wide statements, the fund financial statements report only those transactions that will impact cash in the near-term. The modified accrual basis of accounting is used in their preparation, and the focus is on current *financial resources* – monies remaining at year-end and assets that may readily be converted into cash. Through the detailed, short-term view presented in the governmental fund financial statements, the reader may assess the adequacy of financial resources available to fund the County's services in the coming year. The relationship between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is explained in a reconciliation that is a part of the fund financial statements.

In compliance with GASB Statement No. 54, the County's balance sheet for the governmental funds classifies components of fund balance according to the constraints placed on how resources within the fund balance may be spent and the sources of those constraints. In descending order of limitations on use, the five categories of fund balance are:

- Non-spendable because the amounts are not in cash (such as inventories) or are legally required to be maintained intact.
- Restricted by external sources such as debt covenants, grant agreements, and statutes, including Stabilization funds which are stated separately on the balance sheet.
- Committed by formal action of the government's highest level of decision-making authority.
- Assigned by the government's intent for a specific purpose.
- Unassigned, which is available for general use.

Please refer to pages 43-47 in the Notes for further explanation of these classifications.

Budgetary Comparison Statement – As required by North Carolina General Statutes, Transylvania County adopts an annual budget for its governmental funds, except for those capital project funds covered by project ordinances. The budget is a legally adopted document that incorporates input from the citizens of the County, requests from the management of County government, and the decisions of the Board of Commissioners 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 *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* (Exhibit F) for the General Fund demonstrates how well the County complied with the budget ordinance and whether it 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 presents 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 against appropriations, and ending balances in the General Fund and the Opioid Settlement Fund, and (4) the variance between the final budget and the actual resources and charges.

Proprietary Fund - Transylvania County has two different kinds of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Transylvania County uses an enterprise fund to account for the County's landfill operations. This fund is the same as the function shown in the business-type activities in the Statement of Net Position and the Statement of Activities. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of Transylvania County. The County uses one internal service fund to account for the self-insurance plan. Because this operation benefits predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Transylvania County has three fiduciary funds, all of which are custodial funds: The Municipal Tax Fund, the Jail Inmate Fund, and the Cooperative Extension Fund (Exhibit J and K).

Notes to the Financial Statements

The notes explain in detail some of the data contained in the statements and are essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplemental information beginning on page 84 about funding of Transylvania County's pension and other post-employment benefit obligations. The next section provides more detailed information about the major and non-major governmental, proprietary, and custodial funds, as well as an analysis of the current tax levy and schedule of ad valorem taxes receivable. The final section of the report contains statistical tables which present trends for financial performance and resources and other key economic, demographic, and operating indicators.

Government-Wide Financial Analysis

Total net position, and particularly changes in net position over time, may serve as an indicator of a government's financial condition. As of June 30, 2025, Transylvania County's government-wide assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $131,681,363, reflecting an increase of $8,550,039 (see Figure 2, below).

Transylvania County Summary of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Government-Wide Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 156,102,961	$ 109,506,831	$ 12,670,180	$ 12,879,660	$ 168,773,141	$ 122,386,491
Noncurrent assets	3,037,567	467,847	-	-	3,037,567	467,847
Capital assets	44,723,404	42,931,666	4,501,121	3,691,495	49,224,525	46,623,161
Total Assets	203,863,932	152,906,344	17,171,301	16,571,155	221,035,233	169,477,499
Deferred outflows of resources	8,919,895	9,682,914	426,178	477,165	9,346,073	10,160,079
Long-term liabilities outstanding	73,024,948	24,739,216	9,556,452	9,272,863	82,581,400	34,012,079
Other liabilities	18,508,539	18,861,312	449,092	247,849	18,957,631	19,109,161
Total Liabilities	91,533,487	43,600,528	10,005,544	9,520,712	101,539,031	53,121,240
Deferred inflows of resources	745,992	822,823	16,356	17,775	762,348	840,598
Net Position:						
Net investment in capital assets	38,953,151	37,414,587	4,501,121	3,660,900	43,454,272	41,075,487
Restricted	14,538,045	14,022,031	-	-	14,538,045	14,022,031
Unrestricted	70,614,588	66,729,289	3,074,458	3,848,933	73,689,046	70,578,222
Total Net Position	$ 124,105,784	$ 118,165,907	$ 7,575,579	$ 7,509,833	$ 131,681,363	$ 125,675,740

Overall, the County's net position increased by 6.80%. This is an aggregate of two changes in net position for the County overall. The net position of governmental activities increased by $8,434,411, and the net position of business-type activities increased by $115,628.

Of the government's net position:

- Investment in capital assets represented $43,454,272 (33.00%) of the government wide total net position and represented the County's extensive investment in land, buildings, furniture and fixtures, vehicles, and other equipment.
- $14,538,045 (11.04%) represents resources that are subject to external restrictions on how the funds may be used. These restrictions are legally binding and are imposed by general statutes, grants or contracts.
- Stabilization funds required by the state government make up $8,937,768 of that classification, which also includes smaller amounts restricted to fire district taxes, court fees, the Emergency Telephone system, the Register of Deeds pension plan, and other various grants and donations.

Transylvania County Summary of Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
Revenues:	**2025**	**2024**	**2025**	**2024**	**2025**	**2024**
Program Revenues						
Charges for services	$ 6,780,597	$ 6,277,681	$ 3,074,245	$ 2,781,082	$ 9,854,842	$ 9,058,763
Operating grants	16,295,485	8,045,771	87,259	88,822	16,382,744	8,134,593
Capital Grants	150,000	-	11,625	1,307,238	161,625	1,307,238
General Revenues						
Property taxes	48,294,538	47,099,412	-	-	48,294,538	47,099,412
Other taxes	18,078,503	17,906,924	-	-	18,078,503	17,906,924
Grants and contributions unrestrict.	567,806	646,302	-	-	567,806	646,302
Interest	5,485,726	4,251,597	563,657	524,337	6,049,383	4,775,934
Total Revenues	95,652,655	84,227,687	3,736,786	4,701,479	99,389,441	88,929,166
Expenses:						
General Government	12,082,709	11,403,366	-	-	12,082,709	11,403,366
Public Safety	28,852,165	26,281,828	-	-	28,852,165	26,281,828
Transportation	701,610	679,629	-	-	701,610	679,629
Economic and Physical Development	8,247,115	3,963,796	-	-	8,247,115	3,963,796
Human Services	12,254,134	11,864,345	-	-	12,254,134	11,864,345
Culture and Recreation	2,728,185	2,853,092	-	-	2,728,185	2,853,092
Education	20,163,667	18,249,625	-	-	20,163,667	18,249,625
Interest on long-term debt	1,595,696	218,694	-	-	1,595,696	218,694
Landfill	-	-	4,214,121	5,267,018	4,214,121	5,267,018
Total Expenses	86,625,281	75,514,375	4,214,121	5,267,018	90,839,402	80,781,393
Change in Net Position Before Transfers	9,027,374	8,713,312	(477,335)	(565,539)	8,550,039	8,147,773
Transfers	(592,963)	798,878	592,963	(798,878)	-	-
Net Position, July 1	118,165,907	108,653,717	7,509,833	8,874,250	125,675,740	117,527,967
Restatement	(2,494,534)	-	(49,882)	-	(2,544,416)	-
Restated Net Position, July 1	115,671,373	108,653,717	7,459,951	8,874,250	123,131,324	117,527,967
Change in Net Position	8,434,411	9,512,190	115,628	(1,364,417)	8,550,039	8,147,773
Net Position, June 30	$ 124,105,784	$ 118,165,907	$ 7,575,579	$ 7,509,833	$ 131,681,363	$ 125,675,740

Governmental activities – Transylvania County's governmental activities closed the year with a net position of $124,105,784, an increase of $8,434,411.

The primary factors attributable to this increase were as follows:

- Increased inflows from property taxation
- Increases in operating and supporting grants provided by federal and state governmental agencies
- An increase in investment income due to market forces

Business-type activities – Transylvania County's business-type activities closed the year with a net position of $7,575,579, an increase of $115,628.

The primary factors driving this change were as follows:

- Increase in capital outlay of $761,773 to purchase a dozer and hauler truck
- Increase in personnel costs of $95,274

Financial Analysis of the County's Funds

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

Governmental Funds – The goal of governmental fund statements is to provide information on near-term inflows, outflows, and balances of useable resources. Such information is helpful in assessing the County's financing requirements. Specifically, unassigned fund balance can be a meaningful measure of a government's net resources available for spending during the next fiscal year.

The County's governmental fund types are divided into two categories, major and non-major. For 2025, the County had five major funds: the General Fund, Opioid Settlement Fund, Education Capital Project Fund, the General Capital Projects Fund and the Multi-Year Grant Ordinance Fund. The non-major governmental funds consist of Special Revenue Funds, the Capital Reserve Fund, and the Permanent Fund.

The General Fund is the chief operating fund of Transylvania County. At the end of the current fiscal year, the total fund balance equaled $53,053,519 with $4,754,738 non-spendable and $10,131,904 restricted.

- $8,905,081 was restricted for stabilization by state statute.
- $1,226,823 was restricted by General Statutes for court facilities and by restrictions imposed by state agencies on proceeds for the Department of Social Services and Department of Public Health.
- $2,196,480 was committed by the Board of Commissioners for pension payments for retired law enforcement officers.
- $20,554,056 was assigned for specific uses including:
  - $6,788,294 for the County's informal capital improvement plan
  - $2,323,719 for accrued vacation liabilities
  - $3,273,797 for expenditures authorized in the following fiscal year
  - $500,000 for other economic and physical development
- $15,416,341, or 29.06% of the total, was unassigned and therefore available for spending at the government's discretion.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.36% percent of total General Fund expenditures and transfers out. Total General Fund balance represented more than 66.63% percent of the General Fund's actual expenditures and transfer out for fiscal year 2025.

The General Fund balance increased by 6.11%, or $3,053,964.

The major factors in the performance of the General Fund for the year ended June 30, 2025 were as follows:

- Actual revenues increased from prior year by 7%, or $5,737,378, driven by the following factors:
  - An increase of $2,562,124 in operating grants received from outside agencies.
  - Interest on investments had the second largest increase of $1,234,129 due to maintaining maximum funding in the investment accounts.
- Actual expenditures were $11,110,906 higher than fiscal 2024, driven by the following factors:
  - $7,570,243 higher expenditures on public safety functions, or 29% caused by personnel and pension increases, as well as vehicle purchases and upfit costs.
  - Education expenses provided to Transylvania County Schools and Blue Ridge Community College increased by $1,914,042 or 10%
  - Interest on long-term debt on the newly issued School GO Bonds increased by $1,377,002.
- The General Fund's support for other governmental and proprietary funds increased over FY 2024, with total transfers totaling $8,388,480, an increase of $599,793 (7%).
  - The largest transfers were into the General Capital Projects fund for a total of $4,337,929 and to the Disaster Response fund of $1,060,000 to cover expenditures related to Hurricane Helene, not covered by insurance settlements or FEMA reimbursements.

The combined fund balances of all other governmental funds increased by $46,864,503 in FY 2025. This increase of 199.88% is primarily related to the Education Capital Fund, presented as a major fund, having a fund balance increase of $47,450,770, primarily due to the issuance of the School GO Bonds.

As of June 30, 2025, Transylvania County's governmental funds reported a total ending balance of $135,434,257, an increase of $49,918,467 or 58.37%.

The Education Capital Project Fund's fund balance increased by $47,450,770, or 187.37%, due to the issuance of the School GO Bonds.

- The County established the Education Capital Fund in FY20 to manage anticipated bond-funded school construction projects following the 2018 bond vote, originally expected to begin in 2020. Delays in project timelines and higher-than-expected bid costs in 2021 halted the bond sale process. In spring 2023, Commissioners consolidated remaining restricted funds and prior-year project balances into the Education Capital Fund to improve transparency.
- The County sold the first tranche of School GO Bonds in November 2024 totaling $46,665,000 and the first scope of work projects began.

The General Capital Projects Fund's fund balance decreased by $1,001,417, or 21.77%, due to completed or almost completed projects, such as the EMS Base and the Sylvan Valley Industrial Park Phase II.

The Multi-Year Grant Fund Project Ordinance's fund balance decreased by $135,212 due to the forward movement of several grant projects.

The Opioid Settlement Fund's fund balance increased by $578,198 due to settlement funds received over the past several years.

Proprietary Fund –

Transylvania County's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

It is important for readers to note that the County has an enterprise capital project fund for Water and Sewer development presented as a sub-unit of the Solid Waste Fund. The County does not operate a Water and Sewer system, but in the event it needs to do so, it has chosen to present a current capital project fund in enterprise accounting to maintain consistency over time.

Solid Waste Fund

The net position of the County's enterprise activity, the Solid Waste Fund increased by $115,628.

Operating revenues for the Solid Waste Fund increased by $226,753 in FY 2025, to a total of $2,983,231. This was driven primarily by the uptick in debris removed after Helene from contractors and private residents.

Solid Waste activities generated an operating loss of $647,932. This was $427,434 higher than the prior year, or 39.75%.

A transfer from the General Fund of $592,963 was intended to supplement and mitigate some of the operating loss in the Solid Waste Fund.

Governmental Activities

Internal Service Fund

In 2022, in the interest of clarifying and improving financial reporting, the County established a governmental internal service fund for the operation of the County's group insurance plan. This plan represents inflows and outflows related to the collection of premiums from employees and the employer, and vendor payments of health claims and administrative fees paid on behalf of employees.

In the County's internal service fund, charges for services, representing employee and employer premiums. Operating expenditures, representing health claims and administrative fees paid to Blue Cross Blue Shield totaled $5,889,833.

General Fund Budgetary Highlights:

The County's financial performance in the General Fund played a significant role in the stronger financial position of the County at fiscal year-end. Most notable were positive variances of over 15% against the final budget in Human Services and over 17% in Emergency Management, which can be attributed to the diligence of management in monitoring operational budgets.

Capital Asset and Debt Administration

Capital assets: Transylvania County's capital assets for its governmental and business-type activities as of June 30, 2025, totaled $49,224,525 (net of accumulated depreciation). These assets consisted of buildings, land, machinery and equipment, furniture and fixtures, park facilities, and vehicles (see Figure 4). Additional information regarding Transylvania County's capital assets can be found in note 3.A. of the Notes, beginning on page 53 of this report.

Transylvania County's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 3,976,648	$ 3,976,648	$ 1,130,910	$ 1,130,910	$ 5,107,558	$ 5,107,558
Landfill cells	-	-	16,795	144,258	16,795	144,258
Buildings	33,436,020	29,002,220	298,172	344,901	33,734,192	29,347,121
Improvements	1,199,580	1,160,339	430,833	381,320	1,630,413	1,541,659
FF&E	1,405,033	1,105,087	1,101,923	854,709	2,506,956	1,959,796
Vehicles	2,480,331	2,314,589	736,978	376,796	3,217,309	2,691,385
Leased land	45,107	49,275	-	-	45,107	49,275
Leased buildings	24,125	20,490	-	-	24,125	20,490
Leased equipment	290,193	80,126	-	29,346	290,193	109,472
Subscriptions	72,065	120,109	-	-	72,065	120,109
Construction in progress	1,794,302	5,102,783	785,510	429,255	2,579,812	5,532,038
Total	$ 44,723,404	$ 42,931,666	$ 4,501,121	$ 3,691,495	$ 49,224,525	$ 46,623,161

Long-term Debt: The County's outstanding debt totaled $50,105,253 at year end. The increase in outstanding debt is related primarily to the issuance of General Obligation Bonds, as well as lease liabilities issued.

Transylvania County's Outstanding Debt
Figure 5

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Installment financings	$ 5,342,828	$ 5,830,325	$ -	$ -	$ 5,342,828	$ 5,830,325
GO Bonds	44,335,000	-	-	-	44,335,000	-
Lease liabilities	371,544	229,180	-	30,595	371,544	259,775
Subscription liabilities	55,881	110,243	-	-	55,881	110,243
Total	$ 50,105,253	$ 6,169,748	$ -	$ 30,595	$ 50,105,253	$ 6,200,343

On June 30, 2025, the County had a legal debt margin of $510,924,468.

Additional information regarding Transylvania County's long-term debt can be found in note 3.B. of the Notes, beginning on page 75 of this report.

Change in Accounting Principle

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 $2,494,534 and $49,882 to the beginning net positions of the governmental activities and business-type activities, respectively. 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 8 for additional information regarding the impact of this standard on the current year's financial statements.

Budget Highlights for the Fiscal Year Ending June 30, 2026

Long-term needs were the dominating factor in the planning, recommendation, and adoption of a budget ordinance for Transylvania County for the year ending June 30, 2026. Public safety and the long-term needs of the Transylvania County Landfill, which has current permitted cell capacity through 2026 were the primary factors. These challenges required a strategic approach to ensure that adequate resources were available to address the statutory requirements and mandates unique to North Carolina County governments.

Governmental Activities:

The approved General Fund budget rose to $81,342,524, a 6.7% increase from FY 2025's initial budget to FY 2026's final adopted budget. This was driven by an effort to maintain funding at current levels, add several multiyear lease and subscription additions and the addition of School GO Bond debt payments.

The County continued in FY 2026 financial steps it had taken in FY 2025 to increase financial support for volunteer fire departments and rescue agencies and the County's enterprise fund landfill operations. Generally, the County anticipated that these increases in budget would be offset by increased revenues from property tax and sales tax. Most other revenue classifications for the County were not expected to increase.

Business-type Activities

The Board also approved a budget for landfill activities and the Solid Waste department at $3,905,000, a decrease of approximately 5.6% due to no requests for heavy equipment. As in prior years, the Board and Management were aware that it would not be possible to generate sufficient revenues to cover the cost of landfill operations, given the rural and geographically isolated nature of its landfill operation. Accordingly, the FY 2026 budget ordinance planned a transfer of $500,000 from the General Fund to the Solid Waste Fund.

Overall, future expansion needs of the Transylvania County landfill will continue to reflect increasing expenditures in the enterprise fund over the long term with significant investment required to maintain solid waste operations in the county.

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 submitted to the Finance Director of Transylvania County, 101 South Broad Street, Brevard, North Carolina 28712.

Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal year ended June 30, 2025. Copies of these financial statements containing the unqualified report of the independent certified public accountant are available in the office of the Finance Director, County of Transylvania, 101 South Broad Street, Brevard, North Carolina 28712.

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. This was the 38th year the County achieved this distinction. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report which complies with both generally accepted accounting principles and applicable legal requirements. The County believes that its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025 continues to meet the program's requirements.

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

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BASIC
FINANCIAL
STATEMENTS

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TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Transylvania County Tourism Development Authority
Assets:				
Current assets:				
Cash and investments	$ 78,893,897	$ 5,056,438	$ 83,950,335	$ 1,228,707
Taxes receivable, net	85,507	-	85,507	-
Accounts receivable, net	4,069,653	188,786	4,258,439	-
Lease receivable	70,761	-	70,761	-
Due from primary government	-	-	-	232,225
Internal balances	(58,622)	58,622	-	-
Due from other governments	10,216,777	22,295	10,239,072	-
Inventories	36,188	-	36,188	-
Prepaid items	3,384,594	-	3,384,594	2,800
Cash and investments, restricted	59,404,206	7,344,039	66,748,245	-
Total current assets	156,102,961	12,670,180	168,773,141	1,463,732
Non-current assets:				
Net pension asset (ROD)	45,322	-	45,322	-
Lease receivable, non-current	178,475	-	178,475	-
Long-term receivable	3,422,961	-	3,422,961	-
Accounts receivable, non-current	2,992,245	-	2,992,245	-
Capital assets:				
Land and other non-depreciable assets	5,770,950	1,916,420	7,687,370	-
Depreciable assets, net	38,952,454	2,584,701	41,537,155	44,602
Total capital assets	44,723,404	4,501,121	49,224,525	44,602
Non-current assets, net	51,362,407	4,501,121	55,863,528	44,602
Total assets	207,465,368	17,171,301	224,636,669	1,508,334
Deferred Outflows of Resources:				
Pension deferrals	8,524,402	405,363	8,929,765	-
OPEB deferrals	395,493	20,815	416,308	-
Total deferred outflows of resources	8,919,895	426,178	9,346,073	-
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	4,782,751	364,843	5,147,594	77,907
Prepaid fees	307,973	-	307,973	-
Due to component unit	232,225	-	232,225	-
Due to other governments	3,599	-	3,599	-
Advances from grantors	7,196,460	-	7,196,460	-
Unearned revenue	79,145	-	79,145	-
Accrued interest payable	525,782	-	525,782	-
Current portion of long-term liabilities	5,380,604	84,249	5,464,853	64,400
Total current liabilities	18,508,539	449,092	18,957,631	142,307

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
JUNE 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Transylvania County Tourism Development Authority
Non-current liabilities:				
Net pension liability (LGERS)	14,254,076	750,214	15,004,290	-
Total pension liability (LEOSSA)	2,939,080	-	2,939,080	-
Total OPEB liability	2,389,794	125,779	2,515,573	-
Due in more than one year	53,441,998	8,680,459	62,122,457	-
Total non-current liabilities	73,024,948	9,556,452	82,581,400	-
Total liabilities	91,533,487	10,005,544	101,539,031	142,307
Deferred Inflows of Resources:				
Prepaid taxes	11,597	-	11,597	-
Lease deferrals	244,531	-	244,531	-
Pension deferrals	489,864	16,356	506,220	-
Total deferred inflows of resources	745,992	16,356	762,348	-
Net Position:				
Net investment in capital assets	38,953,151	4,501,121	43,454,272	(596)
Restricted for:				
Stabilization by state statute	8,937,768	-	8,937,768	232,225
Permanently restricted for perpetual maintenance - non-expendable	108,367	-	108,367	-
Register of Deeds	51,051	-	51,051	-
Register of Deeds Pension Plan	45,322	-	45,322	-
General government	1,050,027	-	1,050,027	-
Court facilities	72,795	-	72,795	-
Public safety	87,248	-	87,248	-
Fire departments	1,290,331	-	1,290,331	-
Emergency telephone system	151,387	-	151,387	-
Health department programs	97,749	-	97,749	-
Social services	73,704	-	73,704	-
Health services	1,929,887	-	1,929,887	-
Recreation programs and facilities	281,641	-	281,641	-
Donor intent	360,768	-	360,768	-
Tourism promotion	-	-	-	1,134,398
Unrestricted	70,614,588	3,074,458	73,689,046	-
Total net position	$ 124,105,784	$ 7,575,579	$ 131,681,363	$ 1,366,027

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

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TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ 12,082,709	$ 1,353,517	$ 927,334	$ -
Public safety	28,852,165	4,651,772	2,089,728	150,000
Transportation	701,610	5,373	391,012	-
Economic and physical development	8,247,115	2,770	169,953	-
Human services	12,254,134	635,068	12,515,134	-
Cultural and recreational	2,728,185	132,097	202,324	-
Education	20,163,667	-	-	-
Interest	1,595,696	-	-	-
Total governmental activities	86,625,281	6,780,597	16,295,485	150,000
Business-Type Activities:				
Solid waste	4,214,121	3,074,245	87,259	11,625
Total primary government	$ 90,839,402	$ 9,854,842	$ 16,382,744	$ 161,625
Component Unit:				
Tourism Development Authority	$ 1,940,110	$ 79,894	$ -	$ -

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Transylvania County Tourism Development Authority
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	$ (9,801,858)	$ -	$ (9,801,858)	
Public safety	(21,960,665)	-	(21,960,665)	
Transportation	(305,225)	-	(305,225)	
Economic and physical development	(8,074,392)	-	(8,074,392)	
Human services	896,068	-	896,068	
Cultural and recreational	(2,393,764)	-	(2,393,764)	
Education	(20,163,667)	-	(20,163,667)	
Interest and fees	(1,595,696)	-	(1,595,696)	
Total governmental activities	(63,399,199)	-	(63,399,199)	
Business-Type Activities:				
Solid waste	-	(1,040,992)	(1,040,992)	
Total primary government	(63,399,199)	(1,040,992)	(64,440,191)	
Component Unit:				
Tourism Development Authority				$ (1,860,216)
General Revenues:				
Taxes:				
Ad valorem taxes	48,294,538	-	48,294,538	-
Local option sales taxes	14,986,599	-	14,986,599	-
Deed stamp excise tax	116,573	-	116,573	-
Real estate transfer tax	1,170,908	-	1,170,908	-
Occupancy tax	1,804,423	-	1,804,423	1,772,724
Unrestricted intergovernmental revenues	567,806	-	567,806	-
Investment earnings, unrestricted	5,485,726	563,657	6,049,383	60,489
Total general revenues excluding transfers	72,426,573	563,657	72,990,230	1,833,213
Transfers	(592,963)	592,963	-	-
Total general revenues and transfers	71,833,610	1,156,620	72,990,230	1,833,213
Change in net position	8,434,411	115,628	8,550,039	(27,003)
Net Position:				
Beginning of year - July 1	118,165,907	7,509,833	125,675,740	1,402,839
Restatement	(2,494,534)	(49,882)	(2,544,416)	(9,809)
Beginning of year - July 1, restated	115,671,373	7,459,951	123,131,324	1,393,030
End of year - June 30	$ 124,105,784	$ 7,575,579	$ 131,681,363	$ 1,366,027

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	Major					Nonmajor	
	General Fund	Education Capital Project Fund	General Capital Projects Fund	Multi-Year Grant Ordinance Fund	Opioid Settlement Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and investments	$ 42,746,520	$ 23,622,024	$ 4,337,929	$ -	$ -	$ 2,309,326	$ 73,015,799
Taxes receivable, net	73,048	-	-	-	-	12,459	85,507
Accounts receivable, net	2,181,409	-	1,500,000	-	3,376,890	3,599	7,061,898
Lease receivable	249,236	-	-	-	-	-	249,236
Long-term receivable	3,422,961	-	-	-	-	-	3,422,961
Due from other funds	700,000	-	-	-	-	-	700,000
Due from other governments	6,023,672	1,797,174	-	2,366,843	-	29,088	10,216,777
Inventories	36,188	-	-	-	-	-	36,188
Prepaid items	1,290,884	-	-	2,093,710	-	-	3,384,594
Cash and investments, restricted	29,960	50,175,883	7,000,000	166,500	1,923,496	108,367	59,404,206
Total assets	$ 56,753,878	$ 75,595,081	$ 12,837,929	$ 4,627,053	$ 5,300,386	$ 2,462,839	$ 157,577,166
Liabilities, Deferred Inflows of Resources, and Fund Balances:							
Liabilities:							
Accounts payable and accrued liabilities	$ 2,722,844	$ 1,022,745	$ 446,557	$ 13,153	$ -	$ 12,093	$ 4,217,392
Due to other funds	-	-	292,160	407,840	-	-	700,000
Due to component unit	232,225	-	-	-	-	-	232,225
Due to other governments	-	-	-	-	-	3,599	3,599
Unearned revenue	79,145	-	-	-	-	-	79,145
Advances from grantors	29,960	-	7,000,000	166,500	-	-	7,196,460
Prepaid fees	307,973	-	-	-	-	-	307,973
Total liabilities	3,372,147	1,022,745	7,738,717	587,493	-	15,692	12,736,794
Deferred Inflows of Resources:							
Unavailable revenues	-	1,797,174	1,500,000	2,390,416	3,376,890	-	9,064,480
Leases	244,531	-	-	-	-	-	244,531
Property taxes receivable	73,048	-	-	-	-	12,459	85,507
Prepaid taxes	10,633	-	-	-	-	964	11,597
Total deferred inflows of resources	328,212	1,797,174	1,500,000	2,390,416	3,376,890	13,423	9,406,115
Fund Balances:							
Non-spendable, not in spendable form:							
Inventories	36,188	-	-	-	-	-	36,188
Prepaid items	1,290,884	-	-	2,093,710	-	-	3,384,594
Lease receivable	4,705	-	-	-	-	-	4,705
Long-term receivable	3,422,961	-	-	-	-	-	3,422,961
Perpetual maintenance	-	-	-	-	-	108,367	108,367
Restricted:							
Stabilization by state statute	8,905,081	-	-	-	-	32,687	8,937,768
Restricted, all other	1,226,823	50,175,883	-	-	1,923,496	2,296,269	55,622,471
Committed	2,196,480	22,599,279	3,599,212	-	-	-	28,394,971
Assigned	20,554,056	-	-	-	-	-	20,554,056
Unassigned	15,416,341	-	-	(444,566)	-	(3,599)	14,968,176
Total fund balances	53,053,519	72,775,162	3,599,212	1,649,144	1,923,496	2,433,724	135,434,257
Total liabilities, deferred inflows of resources, and fund balance	$ 56,753,878	$ 75,595,081	$ 12,837,929	$ 4,627,053	$ 5,300,386	$ 2,462,839	$ 157,577,166

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	Total Governmental Funds
Total fund balances	$ 135,434,257
Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	44,723,404
Net pension asset	45,322
Net pension liability - LGERS	(14,254,076)
Total pension liability - LEOSSA	(3,156,673)
Total OPEB liability	(2,786,707)
Assets and liabilities of the Internal Service Fund used by management to account for insurance costs are included in governmental activities in the Statement of Net Position	5,254,117
Deferred outflows of resources related to pensions are not reported in the funds.	8,524,402
Deferred inflows of resources related to pensions are not reported in the funds.	(489,864)
Deferred outflows of resources related to OPEB are not reported in the funds.	395,493
Liabilities for earned, but deferred, inflows of resources in fund statements	9,149,987
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and installment financing	(53,623,683)
Lease liabilities	(371,544)
Subscription liabilities	(55,881)
Compensated absences	(4,156,988)
Interest payable	(525,782)
Net position of governmental activities	$ 124,105,784

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Major					Nonmajor	
	General Fund	Education Capital Project Fund	General Capital Projects Fund	Multi-Year Grant Ordinance Fund	Opioid Settlement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Ad valorem taxes	$ 44,980,185	$ -	$ -	$ -	$ -	$ 3,335,257	$ 48,315,442
Local option sales taxes	11,868,426	-	-	-	-	3,118,173	14,986,599
Other taxes and licenses	3,091,904	-	-	-	-	-	3,091,904
Unrestricted intergovernmental revenues	567,806	-	-	-	-	-	567,806
Restricted intergovernmental revenues	8,474,426	-	150,000	877,982	521,232	112,483	10,136,123
Permits and fees	1,098,117	-	-	-	-	-	1,098,117
Sales and services	4,389,781	-	-	-	-	171,779	4,561,560
Donations and grants	73,660	-	-	-	-	1,799	75,459
Interest earned on investments	2,121,280	2,584,911	365,087	-	77,512	162,794	5,311,584
Miscellaneous	1,001,213	-	67,669	-	-	-	1,068,882
Total revenues	77,666,798	2,584,911	582,756	877,982	598,744	6,902,285	89,213,476
Expenditures:							
Current:							
General government	11,143,845	-	-	63,378	-	1,298,495	12,505,718
Public safety	23,538,041	-	1,099,673	48,489	-	4,055,088	28,741,291
Transportation	754,612	-	-	30,000	-	-	784,612
Economic and physical development	2,989,678	-	4,964,748	277,003	-	-	8,231,429
Human services	11,009,895	-	-	594,324	20,546	48,638	11,673,403
Cultural and recreational	2,396,201	-	35,158	-	-	-	2,431,359
Intergovernmental:							
Education	15,278,514	5,093,021	-	-	-	-	20,371,535
Debt service:							
Principal repayments	3,035,198	-	-	-	-	-	3,035,198
Interest	1,088,941	-	-	-	-	-	1,088,941
Total expenditures	71,234,925	5,093,021	6,099,579	1,013,194	20,546	5,402,221	88,863,486
Revenues over (under) expenditures	6,431,873	(2,508,110)	(5,516,823)	(135,212)	578,198	1,500,064	349,990
Other Financing Sources (Uses):							
Lease liabilities issued	305,703	-	-	-	-	-	305,703
Transfers in	4,685,374	2,350,111	5,155,517	-	-	1,060,000	13,251,002
Transfers out	(8,388,480)	(3,209,954)	(640,111)	-	-	(3,185,420)	(15,423,965)
Long-term debt issued	-	46,665,000	-	-	-	-	46,665,000
Insurance recoveries	-	-	-	-	-	597,520	597,520
Premium	-	4,153,723	-	-	-	-	4,153,723
Sale of surplus assets	19,494	-	-	-	-	-	19,494
Total other financing sources (uses)	(3,377,909)	49,958,880	4,515,406	-	-	(1,527,900)	49,568,477
Net change in fund balances	3,053,964	47,450,770	(1,001,417)	(135,212)	578,198	(27,836)	49,918,467
Fund Balances:							
Beginning of year - July 1	49,999,555	25,324,392	4,600,629	1,784,356	1,345,298	2,461,560	85,515,790
End of year - June 30	$ 53,053,519	$ 72,775,162	$ 3,599,212	$ 1,649,144	$ 1,923,496	$ 2,433,724	$ 135,434,257

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

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

Net change in fund balances - total governmental funds (Exhibit D)	$ 49,918,467
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues/expenditures in the funds.	5,443,700
Expenses related to interest expense that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(506,755)
Pension expense - LEOSSA	(225,657)
Pension expense - LGERS	(1,312,369)
Pension expense - ROD	(7,073)
OPEB plan expense	(256,196)
Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds statement.	(259,341)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay is not an expense, rather it is an increase in capital assets.	4,100,379
Depreciation and amortization expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(2,308,641)
Debt principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	3,035,198
Proceeds from issuance of debt are reported as revenues in the governmental funds funds statement. However, in the Statement of Activities, it is not a revenue, rather it is an increase in liabilities.	(46,970,703)
Net revenue (loss) of internal service funds determined to be governmental type	1,729,257
Revenues reported in the Statement of Activities that do not provide current resources are not recorded as revenues in the fund statement:	
Bond premium	(3,945,855)
Change in net position of governmental activities (Exhibit B)	$ 8,434,411

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND AND THE ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ 44,187,811	$ 44,205,827	$ 44,980,185	$ 774,358
Local option sales taxes	11,500,555	11,500,555	11,868,426	367,871
Other taxes and licenses	3,494,204	3,554,204	3,091,904	(462,300)
Unrestricted intergovernmental revenues	554,000	554,000	567,806	13,806
Restricted intergovernmental revenues	6,482,903	8,792,682	8,474,426	(318,256)
Permits and fees	891,724	891,724	1,098,117	206,393
Sales and services	4,492,881	4,514,841	4,625,735	110,894
Investment earnings	1,475,000	1,475,000	2,121,280	646,280
Donations	32,000	32,500	73,660	41,160
Miscellaneous	526,025	687,518	1,001,213	313,695
Total revenues	73,637,103	76,208,851	77,902,752	1,693,901
Expenditures:				
Current:				
General government	11,936,993	12,787,169	11,143,845	1,643,324
Public safety	22,268,605	24,887,362	23,538,041	1,349,321
Transportation	713,683	995,650	754,612	241,038
Economic and physical development	3,318,645	3,374,485	2,989,678	384,807
Human services	12,165,953	12,914,312	11,009,895	1,904,417
Cultural and recreational	2,385,820	2,448,892	2,396,201	52,691
Intergovernmental:				
Education	15,264,056	15,278,514	15,278,514	-
Debt service:				
Principal retirement	412,679	3,118,679	3,035,198	83,481
Interest and fees	29,914	1,092,638	1,088,941	3,697
Total expenditures	68,496,348	76,897,701	71,234,925	5,662,776
Revenues over (under) expenditures	5,140,755	(688,850)	6,667,827	7,356,677
Other Financing Sources (Uses):				
Lease liabilities issued	-	305,703	305,703	-
Transfers in	835,309	4,685,374	4,685,374	-
Transfers out	(6,185,924)	(9,050,551)	(8,388,480)	662,071
Assigned and committed funds	(1,800,000)	(1,890,340)	-	1,890,340
Sale of capital assets	20,000	20,000	19,494	(506)
Appropriated fund balance	1,989,860	6,618,664	-	(6,618,664)
Total other financing sources (uses)	(5,140,755)	688,850	(3,377,909)	(4,066,759)
Net change in fund balance	$ -	$ -	3,289,918	$ 3,289,918
Fund Balance:				
Beginning of year - July 1			49,999,555	
Reconciliation from Budgetary Basis to Modified Accrual Basis:				
Current year loan receivable repayments			(235,954)	
End of year - June 30			$ 53,053,519	

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

GENERAL FUND AND THE ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2025

	Opioid Settlement Fund			
	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over/Under
Revenues:				
Ad valorem taxes	$ -	$ -	$ -	$ -
Local option sales taxes	-	-	-	-
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental revenues	-	-	-	-
Restricted intergovernmental revenues	-	200,000	521,232	321,232
Permits and fees	-	-	-	-
Sales and services	-	-	-	-
Investment earnings	-	-	77,512	77,512
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	200,000	598,744	398,744
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	200,000	20,546	179,454
Cultural and recreational	-	-	-	-
Intergovernmental:				
Education	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total expenditures	-	200,000	20,546	179,454
Revenues over (under) expenditures	-	-	578,198	578,198
Other Financing Sources (Uses):				
Lease liabilities issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Assigned and committed funds	-	-	-	-
Sale of capital assets	-	-	-	-
Appropriated fund balance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	$ -	$ -	578,198	$ 578,198
Fund Balance:				
Beginning of year - July 1			1,345,298	
End of year - June 30			$ 1,923,496	

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self-Insurance Fund
Assets:		
Current assets:		
Cash and investments	$ 5,056,438	$ 5,878,098
Accounts receivable, net	188,786	-
Due from other governments	22,295	-
Cash and investments, restricted	7,344,039	-
Total current assets	12,611,558	5,878,098
Capital assets:		
Land and other non-depreciable assets	1,916,420	-
Depreciable assets, net of depreciation	2,584,701	-
Capital assets, net	4,501,121	-
Total assets	17,112,679	5,878,098
Deferred Outflows of Resources:		
Pension deferrals	405,363	-
OPEB deferrals	20,815	-
Total deferred outflows of resources	426,178	-
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	364,843	565,359
Current portion of compensated absences	63,359	-
Current portion of total OPEB liability	20,890	-
Total current liabilities	449,092	565,359
Non-current liabilities:		
Accrued landfill closure and post-closure care costs	8,632,831	-
Total OPEB liability	125,779	-
Compensated absences	47,628	-
Net pension liability	750,214	-
Total non-current liabilities	9,556,452	-
Total liabilities	10,005,544	565,359
Deferred Inflows of Resources:		
Pension deferrals	16,356	-

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self-Insurance Fund
Net Position:		
Net investment in capital assets	4,501,121	-
Unrestricted	3,015,836	5,312,739
Total net position	7,516,957	$ 5,312,739
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds change	58,622	
Ending net position of business-type activities - government-wide	$ 7,575,579	

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self-Insurance Fund
Operating Revenues:		
Charges for services	$ 2,983,231	$ 6,296,613
Operating Expenses:		
Landfill operations:		
Salaries and employee benefits	1,661,588	-
Landfill closure and post-closure care costs	223,905	-
Other operating expenses	1,307,354	6,230,484
Depreciation and amortization	438,316	-
Total operating expenses	3,631,163	6,230,484
Operating income (loss)	(647,932)	66,129
Non-Operating Revenues (Expenses):		
Investment earnings	563,657	174,142
Other non-operating expenses	(579,135)	-
Other non-operating revenues	87,259	-
Interest and other charge	(3,823)	-
Total non-operating revenues (expenses)	67,958	174,142
Income (loss) before capital contributions and transfers	(579,974)	240,271
Capital Contributions and Transfers In (Out):		
Transfers in	592,963	1,580,000
Capital contributions	11,625	-
Total capital contributions and transfers in (out)	604,588	1,580,000
Change in net position	24,614	1,820,271
Net Position:		
Beginning of year - July 1	7,509,833	3,492,468
Restatement	(49,882)	-
Beginning of year - July 1, restated	7,459,951	3,492,468
End of year - June 30	7,484,565	$ 5,312,739

Reconciliation with Exhibit B Change in Net Position - Business-Type Activities:

Change in net position - fund perspective	24,614
Adjustment to reflect the consolidation of Internal Service Fund	91,014
Change in net position	$ 115,628

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Solid Waste Fund	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash received from customers	$ 4,794,332	$ -
Cash received from interfund services provided	-	6,296,613
Cash paid for goods and services	(1,249,836)	(6,245,970)
Cash paid from other sources	(579,135)	-
Cash paid to employees for services	(1,427,898)	-
Net cash provided (used) by operating activities	1,537,463	50,643
Cash Flows from Non-Capital Financing Activities:		
Solid waste disposal tax	87,259	-
Interfund transfer in (out)	592,963	1,580,000
Net cash provided (used) by non-capital financing activities	680,222	1,580,000
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(1,247,942)	-
Capital contributions	11,625	-
Principal paid on long-term debt	(30,595)	-
Net cash provided (used) by capital and related financing activities	(1,266,912)	-
Cash Flows from Investing Activities:		
Interest on investments	559,834	174,142
Net increase (decrease) in cash and cash equivalents	1,510,607	1,804,785
Cash and Cash Equivalents:		
Beginning of year - July 1	10,889,870	4,073,313
End of year - June 30	$ 12,400,477	$ 5,878,098
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	$ (647,932)	$ 66,129
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Miscellaneous expense	(579,135)	-
Depreciation and amortization	438,316	-
Landfill closure and post-closure care costs	223,905	-
(Increase) decrease in accounts receivable	(36,529)	-
(Increase) decrease in due from other governments	1,847,630	-
Increase (decrease) in accounts payable and accrued liabilities	197,163	(15,486)
(Increase) decrease in deferred outflows of resources for pensions	49,290	-
(Increase) decrease in deferred outflows of resources for OPEB	1,697	-
Increase (decrease) in total pension liability	21,201	-
Increase (decrease) in OPEB	11,788	-
Increase (decrease) in deferred inflows of resources for pensions	(1,419)	-
Increase (decrease) in accrued compensated absences	11,488	-
Net cash provided (used) by operating activities	$ 1,537,463	$ 50,643

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Custodial Funds
Assets:	
Cash and investments	$ 187,992
Taxes receivable for other governments, net	523
Accounts receivable and accrued revenues	33,660
Total assets	222,175
Liabilities:	
Intergovernmental payables	71,902
Net Position:	
Restricted for:	
Individuals, organizations, and other governments	$ 150,273

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Custodial Funds
Additions:	
Ad valorem taxes for other governments	$ 527,810
Collections on behalf of others	261,847
Total additions	789,657
Deductions:	
Tax distributions to other governments	523,968
Payments on behalf of others	244,805
Total deductions	768,773
Net increase (decrease) in fiduciary net position	20,884
Net Position:	
Beginning of year - July 1	129,389
End of year - June 30	$ 150,273

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

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1. Summary of Significant Accounting Policies

The accounting policies of Transylvania County (the "County") conform to generally accepted accounting principles as they apply 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. The discretely presented component unit, the Transylvania County Tourism Development Authority, presented below is reported in a separate column in the County's financial statements in order to emphasize that it is legally separate from the County.

Component Unit

Discretely Presented Component Unit

Transylvania County Tourism Development Authority

Transylvania County is authorized by General Statute 153A-10 to collect an occupancy tax of 5 percent, on behalf of the Transylvania County Tourism Development Authority (the "TDA"), on gross revenues from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the County that is subject to sales tax imposed by the state under G.S. 105-164.4(a)(3) and from the rental of private residences and cottages within the County except those that are exempt from the sales tax imposed under G.S. 105-164.4(a)(3) solely because they are rented for less than 15 days or for 90 or more continuous days to the same person. Gross proceeds of the tax are collected by Transylvania County and are remitted to the TDA. The TDA, which has a June 30 year-end, is presented as if it were a governmental fund type. The County is financially accountable for the TDA, which is reported as a discrete component unit separate from the financial information of the primary government. The Transylvania County Commissioners, City Council, and Brevard Chamber of Commerce appoint the governing board of the TDA, and the TDA operates within the County's boundaries for the benefit of the County's residents. The County Commissioners appoint the majority of the Board. Complete financial statements for the TDA may be obtained from the Director of Finance, Transylvania County, 101 South Broad Street, Brevard, North Carolina 28712.

B. Basis of Presentation

Government-Wide Statements. The Statement of Net Position and the Statement of Activities display information about the primary government (the County) and its component unit. 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 except for interfund services provided and used, which are not eliminated in

the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Governmental Funds. Governmental funds are used to account for the County's general governmental activities.

The County reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in another fund. The General Fund also accounts for funds designated for the Law Enforcement Officers' Separation Allowance, the post-employment health benefits, and the 457 deferred compensation plan.

Education Capital Project Fund. This fund accounts for funds that were established for managing the financial affairs of capital projects that renovate or construct educational facilities pursuant to NC G.S. 159-18.

General Capital Projects Fund. This fund accounts for funds that were established for managing the financial affairs of capital projects that renovate or construct government facilities pursuant to NC G.S. 159-18.

Multi-Year Grant Ordinance Fund. This special revenue fund accounts for funds received from the Local Fiscal Recovery Funds appropriated to the County by the American Rescue Plan Act (U.S. Public Law 117-2). This fund has expanded to account for several multi-year grant sources.

Opioid Settlement Fund. This fund reports revenues for amounts paid by a number of corporations to settle various lawsuits. The amounts are restricted to be spent for certain opioid abatement and remediation activities.

Proprietary Funds

Enterprise Funds. The enterprise funds are used to account for those operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County has the following major Enterprise Fund: Solid Waste Fund – for the operation, maintenance, and development of various landfills and disposal sites. For reporting purposes, the Water and Sewer Development Fund has been consolidated with the Solid Waste Fund.

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 government and to other governmental units on a cost reimbursement basis. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles here are those applicable to similar businesses in the private sector and, thus, these funds are maintained on the accrual basis. The County maintains one internal service fund, the Self-Insurance Internal Service Fund, which is self-insured.

The County reports the following additional fund types:

Custodial Funds. Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefits) trust funds, investment trust funds, or private purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for monies levied by the County's municipalities and collected or received on their behalf by the County, the Jail Inmate Pay Fund, which holds cash deposits made to inmates as payment for work performed while incarcerated as well as cash collection for the benefit of inmates from their friends and families, and the Cooperative Extension Fund which accounts for funds held by County for employees of North Carolina State University's Cooperative Extension Division.

The County reports the following nonmajor governmental funds:

Fire Districts Fund. This special revenue fund accounts for the ad valorem tax levies of the eight fire districts in Transylvania County.

Emergency Telephone System Fund. This special revenue fund accounts for the 911 revenues collected by the North Carolina 911 Board to fund the 911 emergency system.

Narcotics Task Force Fund. This special revenue fund accounts for the revenues received that are restricted for use by law enforcement.

Disaster Response Fund. This special revenue fund accounts for the activity related to natural disasters that affect the County.

Representative Payee Fund. This special revenue fund accounts for the monies or disbursements received pursuant to that program.

Fines and Forfeitures Fund. This special revenue fund accounts for the monies or disbursements received as court-ordered fines and forfeitures.

State Deed Fee Fund. This special revenue fund accounts for the monies or disbursements received that are collected by the Register of Deeds and due to the state of North Carolina.

Capital Reserve Fund. This fund accounts for the monies received for various education projects of the County.

Permanent Fund – Silvermont Reserve Fund. Pursuant to the authority granted by the North Carolina Session Law of 1981, Chapter 403, the County adopted an ordinance creating a perpetual recreation trust fund. The fund is authorized to receive undesignated gifts, grants, and bequests of tangible and intangible properties. The principal of the fund shall constitute a perpetual trust fund, and no part of the original principal shall be expended for any purpose.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Fire Districts Fund, the Emergency Telephone Systems Fund, the Narcotics Task Force Fund, the Representative Payee Fund, the Fines and Forfeitures Fund, the Opioid Settlement Fund, the State Deed Fee Fund, the Capital Reserve Fund, the Silvermont Reserve Fund and the Solid Waste Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Education Capital Project Fund, the General Capital Projects Fund, the Multi-Year Grant Ordinance Fund, and the Water and Sewer Development Fund. The County's Self Insurance Plan operates under a financial plan that was adopted by the governing board at the time the County's budget ordinance was approved, as is required by the General Statutes.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the functional level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments that add additional revenues and expenditures to the ordinance and all transfers between functional departments of the County that exceed $50,000. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas where estimates are made are allowance for doubtful accounts and depreciation lives.

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

Deposits and Investments

All deposits of the County are made in Board-designated official depositories and are secured as required by G.S. 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 North Carolina Capital Management Trust (NCCMT) Government Portfolio is an 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. The Government Portfolio is a 2a-7 fund that invests in treasuries, governmental agencies, and repurchase agreements collateralized by treasuries. It is rated AAAm by S&P and AAAmf by Moody Investor Services and is reported at fair value. The North Carolina Investment Pool is a short-term liquid portfolio rated AAAm by S&P and AAAmmf by Fitch.

Cash and Cash Equivalents

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

Restricted Assets

Business-type activities report amounts set aside for the future estimated costs of closure and post-closure of the County's two landfills as restricted assets in the Enterprise Fund. As of June 30, 2025, $7,344,039 was restricted.

Governmental Activities. The advance from grantors of $29,960, $7,000,000, and $166,500 in the General Fund, General Capital Projects Fund, and Multiyear Grant Ordinance Fund, respectively, represent funds restricted by the grantor for specified expenditures that have not been spent. The $1,923,496 in the Opioid Settlement Fund represents unexpended settlement proceeds. The restricted cash of $108,367 in the Silvermont Reserve Fund represent funds restricted by donors. The $50,175,883 in the Education Capital Projects Fund represents unspent debt proceeds restricted for the purpose for which the debt was originally issued.

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, penalties and interest do not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2024.

Lease Receivable

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

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. In the absence of historical date, the County has estimated 20% of the receivable related to the Opioid Settlement to be uncollectible. 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.

Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. 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 of Activities the cost of these inventories is expensed as the items are used.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. Minimum capitalization costs are $5,000 for all land, buildings, improvements, furniture, equipment, and vehicles. 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 Transylvania County Board of Education properties, which has 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 Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities and provide that the County will convey title to the property back to the Board of Education once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met.

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

Assets	Estimated Useful Lives
Buildings	50 years
Improvements	10-50 years
Furniture and equipment	5-15 years
Landfill cells	5-15 years
Vehicles	6 years
Computer equipment	5 years

Right-to-use lease assets and subscription assets are amortized over the life of the associated contract.

The County's capital assets also include certain right-to-use assets. These right-to-use assets arrive 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 state 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 are amortized on a straight-line basis over the subscription term.

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 two items that meet this criterion – pension and OPEB related deferrals.

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

Opioid Settlement Funds

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

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

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

As of June 30, 2025, the County has received $1,816,374 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. $20,546 has been expended as of June 30, 2025. 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.

Long-Term Obligations

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

Net Position/Fund Balance

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Prepaid Items – portion of fund balance that is not an available resource because it represents prepaid amounts, which are not spendable resources.

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

Long-Term Note Receivable – portion of fund balance that is not an available resource because it represents amount not expected to be converted to cash during the subsequent fiscal year.

Perpetual Maintenance – cash donations held in the Silvermont Reserve Permanent Fund.

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

Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "Restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and 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 Donor Intent – portion of fund balance restricted by revenue source for donor intent purposes.

Restricted for Court Facilities – portion of fund balance restricted by revenue source for operational expenditures of the court.

Restricted for Public Safety – portion of fund balance restricted by revenue source for public safety related activities such as law enforcement and EMS.

Restricted for Fire Departments – portion of fund balance restricted by revenue source for fire protection.

Restricted for Emergency Telephone System – portion of fund balance restricted by revenue source for E-911 communications.

Restricted for Health Department Programs – portion of fund balance restricted by revenue source for public health programs.

Restricted for Social Services – portion of fund balance restricted by revenue source for social services programs.

Restricted for Health Services – portion of fund balance that can only be used to benefit beneficiaries under the Social Security's Representative Payee Program, as well as resources received from the Opioid Settlement Fund.

Restricted for General Government – portion of fund balance that is restricted for general government expenditures.

Restricted for Recreation Endowment – portion of fund balance restricted by revenue source for use for parks, libraries, arts, and other related activities.

Restricted for Register of Deeds – portion of fund balance restricted by state statute for automation enhancement (software) improvements.

Restricted for Education – portion of fund balance that can only be used for the school capital per G.S. 159-18-22.

Restricted fund balance per Exhibit C differs from Restricted Net Position per Exhibit A by unspent debt proceeds of $50,175,883, Register of Deeds pension plan of $45,322, and permanently restricted for perpetual maintenance – non-expendable of $108,367, for a total difference of $50,022,194.

Restricted fund balance at June 30, 2025 is as follows:

Purpose	General Fund	Opioid Settlement Fund	Education Capital Project Funds	Nonmajor Special Revenue Funds	Permanent Funds	Total
Restricted, All Other:						
Register of Deeds	$ 51,051	$ -	$ -	$ -	$ -	$ 51,051
Court facilities	72,795	-	-	-	-	72,795
General government	566,718	-	-	483,309	-	1,050,027
Donor intent	360,768	-	-	-	-	360,768
Public safety	4,038	-	-	83,210	-	87,248
Fire departments	-	-	-	1,290,331	-	1,290,331
Emergency telephone system	-	-	-	151,387	-	151,387
Health department programs	97,749	-	-	-	-	97,749
Social services	73,704	-	-	-	-	73,704
Health services	-	1,923,496	-	6,391	-	1,929,887
Education	-		50,175,883	-	-	50,175,883
Recreation endowment	-	-	-	-	281,641	281,641
Total	$ 1,226,823	$ 1,923,496	$ 50,175,883	$ 2,014,628	$ 281,641	$ 55,622,471

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

Committed for Public School Capital Projects – portion of fund balance committed by the governing body for public school capital projects.

Committed for Law Enforcement Officers' Separation Allowance – portion of fund balance committed by the governing body for the Law Enforcement Officers' Separation Allowance obligations.

Committed for General Government – portion of fund balance committed by the governing body for general capital projects.

Purpose	General Fund	Education Capital Project Fund	General Capital Projects Fund	Total
Committed:				
Public school capital projects	$ -	$ 22,599,279	$ -	$ 22,599,279
General government	-	-	3,599,212	3,599,212
Law Enforcement Officers' Special Separation Allowance	2,196,480	-	-	2,196,480
Total	$ 2,196,480	$ 22,599,279	$ 3,599,212	$ 28,394,971

Assigned Fund Balance. Assigned fund balance is the portion of fund balance that Transylvania County intends to use for specific purposes. The County's governing body has the authority to assign fund balance. The Manager, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted of committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Manager and the Finance Officer to make certain modifications without requiring Board approval.

Assigned for Employee Health Insurance – portion of fund balance that has been budgeted by the Board for self-insurance.

Assigned for Accrued Vacation – portion of fund balance that has been budgeted by the Board for compensated absences.

Assigned for Capital Improvement Plan – portion of fund balance that has been budgeted by the Board for capital improvement projects.

Assigned for Special Projects – portion of fund balance that has been budgeted by the Board for special projects.

Assigned for Public Safety Projects – portion of fund balance that has been budgeted by the Board for public safety projects.

Assigned for Economic and Physical Development – portion of fund balance budgeted by the Board for economic development incentives and projects.

Assigned for Environmental Protection – portion of fund balance budgeted by the Board for river clean-up.

Assigned for Recreation Programs and Facilities – portion of fund balance budgeted by the Board for use for parks, libraries, arts, and other related activities.

Assigned for Capital Plan Debt Stabilization – portion of fund balance budgeted by the Board for anticipated peak capital debt payments over the next ten years.

Assigned fund balance at June 30, 2025 is as follows:

Purpose	General Fund
Assigned:	
Subsequent year's expenditures	$ 3,273,797
Employee health insurance	1,000,000
Accrued vacation	2,323,719
Capital improvement plan	6,788,294
Capital plan debt payment stabilization	5,000,000
Special projects	1,252,963
Public safety projects	374,283
Economic and physical development	500,000
Environmental protection	35,000
Recreation programs and facilities	6,000
Total	$ 20,554,056

Unassigned Fund Balance. Unassigned fund balance represents the portion of fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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

The County has not officially adopted a fund balance policy.

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

Total fund balance - General Fund	$ 53,053,519
Less:	
Prepaids	(1,290,884)
Inventories	(36,188)
Lease receivable	(4,705)
Long-term note receivable	(3,422,961)
Stabilization by state statute	(8,905,081)
Total available fund balance	$ 39,393,700

Defined Benefit Cost-Sharing 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 (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. The County is required by State law to administer a public employee retirement system, a single employer defined benefit pension plan, to provide benefits to certain sworn law enforcement officers, the Law Enforcement Officers' Special Separation Allowance (LEOSSA).

G. Revenues, Expenditures, and Expenses

Compensated Absences

The vacation policy of the County provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. With the implementation of GASB 101 in the current fiscal year, the County will estimate what

sick leave is "more likely than not to be paid or used" and will recognize that portion as a liability for compensated absence and salary related payments. Compensated absences are accounted for by another reasonable method.

Claims

The County is self-insured for health coverage for its employees. These claims are paid weekly by the County through its agent. The County's policy is to record claims incurred, but not yet reported, if material.

2. Stewardship, Compliance, and Accountability

Non-Compliance with North Carolina General Statutes

N.C. General Statute 159-34 requires the County to have an audit as soon as possible after the close of each fiscal year. The 2025 audit was delayed due to significant employee turnover in key finance personnel. See corrective action plan at finding 2025-001.

3. Detail Notes on All Funds

A. Assets

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 agent in its name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County, these deposits are considered to be held by the County's agent in 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 with the escrow agent. Because of the inability to measure the exact amount of collateralpledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The County has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The County does not have a policy regarding custodial credit risk for deposits.

At June 30, 2025, the County's deposits had a carrying amount of $3,810,185 and a bank balance of $3,469,085. Of the bank balance, $450,080 was covered by federal depository insurance and $3,019,005 by collateral held under the Pooling Method. Cash on hand was $3,906 at June 30, 2025.

Investments

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

Investment Type	Valuation Measurement Method	Fair Value	Less Than 1 Year	1-3 Years
NC Capital Management Trust Government Portfolio	Fair Value - Level 1	$ 80,988,951	$ 80,988,951	N/A
U.S. Treasuries	Fair Value - Level 1	7,344,039	1,650,606	$ 5,693,433
NCIP	Fair Value - Level 1	58,739,491	58,739,491	N/A
Total		$147,072,481	$141,379,048	$ 5,693,433

The North Carolina Capital Management Trust (NCCMT) Government Portfolio and North Carolina Investment Pool (NCIP) both have a weighted average maturity of less than 90 days, and are therefore presented as an investment with a maturity of less than one year.

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.

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 three years.

Credit Risk. The County limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. To best mitigate against credit risk, the County requires a diversification of investments. The County's investments carried the following credit ratings as of June 30, 2025.

Investment	S & P	Moody's	Investment Type
NC Capital Management Trust Government Portfolio	AAAm	AAA-mf	Money Market Mutual Fund
US Treasury Note	AAA	Aaa	U.S. Treasury Securities
North Carolina Investment Pool	AAAm	-	Investment Pool

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. Interest accrues at the rate of 8 percent per year. This tax is immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

Year Ended June 30	Tax	Interest	Total
2022	$ 1,352,988	$ 108,239	$ 1,461,227
2023	1,554,275	124,342	1,678,617
2024	1,560,982	124,879	1,685,861
2025	1,580,022	-	1,580,022
Total	$ 6,048,267	$ 357,460	$ 6,405,727

Receivables

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

	Accounts Receivable	Taxes Receivable	Lease Receivable	Due from Other Governments	Total
Governmental Activities:					
General	$ 2,181,409	$ 231,677	$ 249,236	$ 6,023,672	$ 8,685,994
Other governmental	5,724,712	20,092	-	4,193,105	9,937,909
Total receivables	7,906,121	251,769	249,236	10,216,777	18,623,903
Allowance for doubtful accounts	(844,223)	(166,262)	-	-	(1,010,485)
Total governmental activities	$ 7,061,898	$ 85,507	$ 249,236	$ 10,216,777	$ 17,613,418
Custodial funds	$ -	$ 1,420	$ -	$ 33,660	$ 35,080
Allowance for doubtful accounts	-	(897)	-	-	(897)
Total custodial funds	$ -	$ 523	$ -	$ 33,660	$ 34,183
Business-Type Activities:					
Solid waste	$ 197,381	$ -	$ -	$ 22,295	$ 219,676
Allowance for doubtful accounts	(8,595)	-	-	-	(8,595)
Total business-type activities	$ 188,786	$ -	$ -	$ 22,295	$ 211,081

Due from other governments that is owed to the County consists of the following:

Governmental Activities:	
Local option sales tax	$ 3,737,136
Sales taxes receivable	1,309,372
NCDHHS	694,879
NCDMV Motor vehicle taxes	256,471
NC 911	9,373
NC Lottery	1,797,174
NC Dept. of Public Safety	2,365,016
Other agencies	47,356
Total governmental activities	$ 10,216,777
Custodial Funds:	
Other intergovernmental receivable	$ 33,660
Business-Type Activities:	
NCDOR	$ 22,295

Lease Receivable

As of June 30, 2025, Transylvania County had 2 active leases. The leases have receipts that range from $36,245 to $40,354 and an interest rate of 2.4900%. As of June 30, 2025, the total combined value of the lease receivable is $249,236, the total combined value of the short-term lease receivable is $70,761, and the combined value of the deferred inflow of resources is $244,531.

Notes Receivable

The County issued a note receivable on November 14, 2017, in the amount of $4,700,000 at 0% interest, pursuant to an agreement entered into by the County, the City of Brevard and the Transylvania Economic Alliance for the expansion of economic development opportunities within the City of Brevard and Transylvania County. Total principal of the note receivable, if not paid sooner, is due on November 14, 2037, unless building is sold by the Alliance at which time total principal is due upon sale. The amount outstanding at June 30, 2025 is $3,422,961.

Capital Assets

A summary of changes in the County's governmental capital assets is as follows:

	June 30, 2024	Additions	Retirements	Transfers	June 30, 2025
Non-Depreciable/ Amortizable Assets:					
Land	$ 3,976,648	$ -	$ -	$ -	$ 3,976,648
Construction in progress	5,102,783	1,922,896	-	(5,231,377)	1,794,302
Total non-depreciable/ amortizable assets	9,079,431	1,922,896	-	(5,231,377)	5,770,950
Depreciable/Amortizable Assets:					
Buildings	47,260,400	422,683	(1,607,011)	5,231,377	51,307,449
Improvements	2,717,740	130,779	(324,646)	-	2,523,873
Equipment	8,901,128	423,359	(4,971,113)	-	4,353,374
Vehicles	8,445,686	894,959	(150,870)	-	9,189,775
Leased land	61,779	-	-	-	61,779
Leased buildings	102,450	48,250	(102,450)	-	48,250
Leased equipment	466,532	257,453	(347,003)	-	376,982
Subscription assets	196,178	-	-	-	196,178
Total depreciable/ amortizable assets	68,151,893	2,177,483	(7,503,093)	5,231,377	68,057,660
Less Accumulated Depreciation/Amortization:					
Buildings	18,258,180	1,220,260	(1,607,011)	-	17,871,429
Improvements	1,557,401	91,538	(324,646)	-	1,324,293
Equipment	7,796,041	123,413	(4,971,113)	-	2,948,341
Vehicles	6,131,097	729,217	(150,870)	-	6,709,444
Leased land	12,504	4,168	-	-	16,672
Leased buildings	81,960	44,615	(102,450)	-	24,125
Leased equipment	386,406	47,386	(347,003)	-	86,789
Subscription assets	76,069	48,044	-	-	124,113
Total accumulated depreciation/amortization	34,299,658	2,308,641	(7,503,093)	-	29,105,206
Depreciable/amortizable assets, net	33,852,235	(131,158)	-	5,231,377	38,952,454
Capital assets, net	$ 42,931,666	$ 1,791,738	$ -	$ -	$ 44,723,404

Depreciation/amortization expense was charged to functions/programs of the County as follows:

General government	$ 487,352
Public safety	1,360,034
Transportation	51,445
Human services	171,939
Cultural and recreational	237,871
Total depreciation/amortization expense	$ 2,308,641

A summary of changes in the County's business-type capital assets is as follows:

	June 30, 2024	Additions	Retirements	June 30, 2025
Solid Waste:				
Non-Depreciable/ Amortizable Assets:				
Land	$ 1,130,910	$ -	$ -	$ 1,130,910
Construction in progress	429,255	356,255	-	785,510
Total non-depreciable/ amortizable assets	1,560,165	356,255	-	1,916,420
Depreciable/Amortizable Assets:				
Buildings	735,384	-	-	735,384
Land improvements	1,078,397	74,500	-	1,152,897
Equipment	3,304,601	370,007	(1,911,157)	1,763,451
Vehicles	1,358,368	447,180	(168,507)	1,637,041
Landfill cells - Woodruff	8,205,437	-	-	8,205,437
Leased equipment	146,732	-	(146,732)	-
Total depreciable/ amortizable assets	14,828,919	891,687	(2,226,396)	13,494,210
Less Accumulated Depreciation/Amortization:				
Buildings	390,483	46,729	-	437,212
Land improvements	697,077	24,987	-	722,064
Equipment	2,449,892	122,793	(1,911,157)	661,528
Vehicles	981,572	86,998	(168,507)	900,063
Landfill cells - Woodruff	8,061,179	127,463	-	8,188,642
Leased equipment	117,386	29,346	(146,732)	-
Total accumulated depreciation/amortization	12,697,589	438,316	(2,226,396)	10,909,509
Depreciable/amortizable assets, net	2,131,330			2,584,701
Capital assets, net	$ 3,691,495			$ 4,501,121

Construction Commitments

A summary of the remaining commitments on the County's open construction projects is as follows:

Project:		Remaining
Governmental Activities:	**Spent-to-date**	**Commitment**
Sylvan Valley Industrial Center Expansion	4,963,363	438,137
Emergency Management Tower	52,142	67,349
Total Governmental Activities	$ 5,015,505	$ 505,486

B. Liabilities

Payables

Payables at Exhibit A at June 30, 2025 were as follows:

	Vendors	Salaries and Benefits	Due to Other Governments	Accrued Insurance Claims Incurred, But Not Reported	Total
Governmental Activities:					
General	$ 1,202,022	$ 955,498	$ -	$ 565,324	$ 2,722,844
Other governmental	2,059,907	-	3,599	-	2,063,506
Total governmental activities	$ 3,261,929	$ 955,498	$ 3,599	$ 565,324	$ 4,786,350
Business-Type Activities:					
Solid waste	$ 319,243	$ 45,600	$ -	$ -	$ 364,843

Pension Plan and Other Post-Employment Obligations

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, 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.

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% 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% of compensation for law enforcement officers and 13.60% 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 $3,163,387 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.

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 $15,004,290 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, 2024 (measurement date), the County's proportion was 0.22257%, which was an increase of 0.00243% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the County recognized pension expense of $4,544,828. 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	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,629,320	$ 17,678
Net difference between projected and actual earnings on pension plan investments	2,039,824	-
Changes in proportion and differences between County contributions and proportionate share of contributions	274,726	309,431
County contributions subsequent to the measurement date	3,163,387	-
Total	$ 8,107,257	$ 327,109

$3,163,387 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 and outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	$ 1,401,582
2027	2,904,528
2028	541,297
2029	(230,646)
Total	$ 4,616,761

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

The actuarial assumptions and methods used in the December 31, 2023 actuarial valuation was 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.

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 target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
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%
Sensitive	6.0%	4.3%
Total	100.00%	

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

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 6.50 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 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability (asset)	$ 26,588,041	$ 15,004,290	$ 5,475,061

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

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. A separate report was not issued for the plan.

The Separation Allowance covers all full-time law enforcement officers of the County. At the June 30, 2024 valuation, the Separation Allowance's membership consisted of:

Retirees receiving benefits	14
Active plan members	63
Total	77

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, level percent of payroll actuarial cost method was used in the June 30, 2024 valuation. The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.30 to 7.80 percent, including inflation and productivity factor
Discount rate	4.28 percent

Discount Rate – 4.28%. Pursuant to GASB 73, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The S & P Municipal Bond 20 Year High Grade Rate Index is often cited as an appropriate benchmark. That index was 4.28% on December 31, 2024. A discount rate of 3.77% was used at the prior measurement date.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an experience study completed for the Local Governmental Employees' Retirement System for the five-year period ending 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. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The County paid $239,768 as benefits came due for the reporting period.

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

At June 30, 2025, the County reported a total pension liability of $3,156,673. The total pension liability was measured as of December 31, 2024 based on a June 30, 2024 actuarial valuation. The total pension liability was then 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 $454,500.

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	Deferred Inflows of Resources
Differences between expected and actual experience	$ 637,759	$ 18,742
Changes of assumptions	40,878	158,933
County benefit payments and plan administrative expense made subsequent to the measurement date	119,391	-
Total	$ 798,028	$ 177,675

The County paid $119,391 in benefit payments made and administrative expenses subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ending June 30, 2026. Other amounts reported as deferred inflows and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	$ 199,756
2027	152,569
2028	99,986
2029	48,651
Total	$ 500,962

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 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Discount Rate (4.28%)	1% Increase (5.28%)
Total pension liability	$ 3,390,683	$ 3,156,673	$ 2,943,007

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

	2025
Beginning balance	$ 2,760,106
Service cost	99,080
Interest on the total pension liability	99,428
Difference between expected and actual experience in the measurement of the total pension liability	554,195
Changes of assumptions or other inputs	(116,368)
Benefit payments	(239,768)
Ending balance of the total pension liability	$ 3,156,673

Changes of Assumptions. Changes of assumption and other inputs reflect a change in the Municipal Bond Index Rate from 3.77% at December 31, 2023 to 4.28% at December 31, 2024.

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

Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The County contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. 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 (ACFR) for the state of North Carolina. The State's ACFR 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 5 percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may make voluntary contributions to the Plan.

The County made contributions of $231,568 for the reporting year. No amounts were forfeited.

Register of Deeds' Supplemental Pension Fund

Plan Description. The County also contributes to the Registers of Deeds' Supplemental Pension Fund (RODSPF), a non-contributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of state Treasurer. RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Governmental 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 Registers of Deeds' Supplemental Pension Fund 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 the Resisters of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Contributions. Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary's required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were $3,330 for the 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 an asset of $45,322 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 0.39332% (measured as of June 30, 2024), which was a decrease of 0.02262% 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 $10,401. 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	Deferred Inflows of Resources
Differences between expected and actual experience	$ 995	$ 810
Net difference between projected and actual earnings on pension plan investments	17,503	-
Changes in proportion and differences between County contributions and proportionate share of contributions	2,652	626
County contributions subsequent to the measurement date	3,330	-
Total	$ 24,480	$ 1,436

$3,330 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 and deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2026	$ 9,195
2027	8,866
2028	1,589
2029	64
Total	$ 19,714

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over 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 am investment consulting firm as part of a study 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%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

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

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 1-percentage-point lower (2.00 percent) or 1-percentage-point higher (4.00 percent) than the current rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension liability (asset)	$ (30,030)	$ (45,322)	$ (58,203)

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

Deferred Compensation Plan

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

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

The net pension liability (asset) for LGERS and ROD was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2023. 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:

	LGERS	LEOSSA	ROD	Total
Proportionate share of net pension liability (asset)	$ 15,004,290	N/A	$ (45,322)	$ 14,958,968
Proportion of the net pension liability (asset)	0.22257%	N/A	0.39332%	-
Total pension liability	-	3,156,673	-	3,156,673
Pension expense	4,544,828	454,500	10,401	5,009,729

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

	LGERS	LEOSSA	ROD	Total
Deferred Outflows of Resources:				
Differences between expected and actual experience	$ 2,629,320	$ 637,759	$ 995	$ 3,268,074
Changes of assumptions	-	40,878	-	40,878
Net difference between projected and actual earnings on pension plan investments	2,039,824	-	17,503	2,057,327
Changes in proportion and differences between County contributions and proportionate share of contributions	274,726	-	2,652	277,378
County contributions (LGERS, ROD) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	3,163,387	119,391	3,330	3,286,108
Total	$ 8,107,257	$ 798,028	$ 24,480	$ 8,929,765
Deferred Inflows of Resources:				
Differences between expected and actual experience	$ 17,678	$ 18,742	$ 810	$ 37,230
Changes of assumptions	-	158,933	-	158,933
Changes in proportion and differences between County contributions and proportionate share of contributions	309,431	-	626	310,057
Total	$ 327,109	$ 177,675	$ 1,436	$ 506,220

Other Post-Employment Benefits

Healthcare Benefits

Plan Description. According to a County resolution, at retirement, all employees have the option to purchase COBRA basic medical/dental insurance at the County's group rate. The entire cost of this insurance is borne by the employees. They are eligible for COBRA for the lesser of 18 months or until they reach age 65.

Also, under the terms of a County resolution, the County provided employees with at least ten years of service to the County, at the time the plan was implemented, July 1, 2006, the option of retiree health insurance or County funded contributions to the deferred compensation plan. Based on the County's resolution, retirees are eligible to participate in the Retiree Health

Benefit Plan until they become eligible for Medicare, currently at age 65. Depending on years of service, retirees qualify for lower contributions under the terms of the plan. This was a one-time irrevocable election. All other employees are eligible only for the County funded contributions to the deferred compensation plan. A separate audited GAAP-basis post-employment benefit plan report is not available for the Retiree Health Benefit Plan. The plan is a single-employer defined benefit plan. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

Retirees and dependents receiving benefits	24
Active plan members	12
Total	36

Funding Policy. The County pays a portion of the cost of coverage for the healthcare benefits paid to qualified retirees under a County resolution that may be amended by the Board of Commissioners. The County's members pay a monthly fee for dependent coverage. The County has chosen to fund the healthcare benefits on a pay-as-you-go basis. As of June 30, 2025, the County has committed $0 for the payment of future retiree health benefits.

Total OPEB Liability

The County's total OPEB liability of $2,933,376 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 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
General employees	3.30 - 8.30 percent
Law enforcement officers	3.30 - 7.80 percent
Municipal bond index rate	
Prior measurement date	3.86 percent
Measurement date	4.21 percent
Healthcare cost trend rates	
Pre-medicare medical and prescription drug	2.50 percent for 2024 decreasing to an ultimate rate of 4.50 percent by 2033+
Dental	4.00 percent

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	$ 2,697,626
Changes for the year:	
Service cost	20,647
Interest	96,990
Differences between expected and actual experience	632,718
Changes of assumptions or other inputs	(49,108)
Benefit payments	(465,497)
Net changes	235,750
Balance at June 30, 2025	$ 2,933,376

Discount Rate – 4.21%. Pursuant to GASB 75, the discount rate should be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The S & P Municipal Bond 20 Year High Grade Rate Index is often cited as an appropriate benchmark. That index was 4.21% on June 30, 2024. A discount rate of 3.86% was used at the prior measurement date.

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

Law Enforcement Officers – Deaths After Retirement (Healthy): Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019. The male and female rates are set forward 1 year and adjusted by 97% for all ages.

Law Enforcement Officers – Deaths After Retirement (Disabled): Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019. The male and female rates are set back 3 years.

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

General Employees – Deaths After Retirement (Healthy): Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019. The male rates are set forward 2 years and adjusted with the following factors: 80 and younger, 96.0%; age 81, 96.8%; age 82, 97.6%; age 83, 98.4%; age 84, 99.2%; age 85 and older, 100.0%. The female rates are set forward 2 years and adjusted with the following factors: 91 and younger, 100.0%; age 92, 102.5%; age 93, 105.0%; age 94, 107.5%; age 95 and older, 110.0%.

General Employees – Deaths After Retirement (Disabled): Pub-2010 Safety Employees Male and Female Mortality tables projected generationally with MP-2019. The male rates are set forward 3 years, and the female rates are set back 1 year.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2024 valuation were based on the North Carolina Local Governmental Employees' Retirement System (NCLGERS) experience study for the five year period of January 1, 2015 through December 31, 2019.

The remaining actuarial assumptions (e.g., initial per capita costs, health care 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 done 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 1-percentage-point lower (3.21 percent) or 1-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	$ 3,029,045	$ 2,933,376	$ 2,840,617

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

	1% Decrease	Current	1% Increase
Total OPEB liability	$ 2,841,016	$ 2,933,376	$ 3,030,110

OPEB Expense, 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 $706,747. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments and plan administrative expense made subsequent to the measurement date	$ 416,308	$ -

$416,308 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 deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Total
2026	$ -

Other Employment Benefits

The County has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but no less than $25,000 and no more than $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.

Closure and Post-Closure Care Costs – Woodruff Road Landfill Facility

Federal and state laws and regulations require the County to place a final cover on its Woodruff Road Landfill Facility when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In addition, North Carolina General Statutes requires counties to provide financial assurance sufficient to cover a minimum of $2,000,000 in costs for potential assessment and corrective action (PACA) at the facility. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County appropriates funds annually for a portion of these costs, based on landfill capacity used as of each balance sheet date. In FY 2014, the County also included a portion of the PACA costs. Of the $8,632,831 reported as landfill closure and post-closure care and PACA liability at June 30, 2025, $5,948,332 is for closure and post-closure care costs and $2,684,499 is for PACA costs. Both are a cumulative amount reported to date based on the use of 97 percent of the total estimated capacity of the landfill.

These amounts are based on what it would cost to perform all closure and post-closure care and PACA in 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County expects the portion of the Woodruff Road Landfill Facility currently being used to reach its permitted capacity in approximately 3 years.

The County has met the requirements of a local government financial test that is one option under federal and state laws and regulations that help determine if a unit is financially able to meet closure and post-closure care and PACA requirements. In addition, the County has elected to establish a reserve fund to accumulate resources for the payment of the closure and post-closure care costs. As of June 30, 2025, the County had funds of $7,344,039 in a local bank restricted for this purpose. The County expects that future inflation costs will be paid from the interest earnings in this account. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or by future tax revenues.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following:

Source	Amount
Pension deferrals	$ 8,929,765
OPEB deferrals	416,308
Total	$ 9,346,073

Deferred inflows of resources at year-end are comprised of the following:

Source	Amount
Prepaid taxes (General Fund)	$ 10,633
Prepaid taxes (Special Revenue Fund)	964
Taxes receivable, net (General Fund)	73,048
Taxes receivable, net (Special Revenue Fund)	12,459
Unavailable revenues- leases (General Fund)	244,531
Unavailable revenues (Education Capital Project Fund)	1,797,174
Unavailable revenues (Multi-year Grant Ordinance Fund)	2,390,416
Unavailable revenues (General Capital Project Fund)	1,500,000
Unavailable revenues (Opioid Settlement Fund)	3,376,890
Pension deferrals	506,220
Total	$ 9,912,335

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 $57.2 million for any one occurrence; general, auto, public officials, law enforcement and employment practices liability coverage of $2 million per occurrence; cyber liability coverage of $1,000,000 per occurrence; auto physical damage coverage for owned autos at actual cash value; crime coverage of $250,000 per occurrence; and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the County upon request. Both of the pools are reinsured through a multi-state public entity captive for single occurrence losses in excess of $500,000 retention up to a $2 million limit for liability coverage, and $499,750,000 of each loss in excess of $250,000 per occurrence retention for property and auto physical damage. For workers' compensation, there is a per occurrence retention of $750,000. For health insurance, the County provides coverage through Blue Cross and Blue Shield of North Carolina and is reinsured for individual losses in excess of $125,000 and aggregate annual losses in excess of 125 percent of expected claims. The County Manager serves on the advisory board for NCACC Risk Management Trustee Board.

Liabilities 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).

Changes in the balances of claims liabilities for health insurance during the past fiscal year are as follows:

	2025	2024
Unpaid claims, beginning	$ 550,308	$ 490,573
Incurred claims	4,036,976	3,861,354
Claim payments	(4,021,960)	(3,801,619)
Unpaid claims, ending	$ 565,324	$ 550,308

The County has not obtained separate flood insurance due to the limited likelihood of County property sustaining flood damage. The County's property insurance provides what is deemed to be adequate coverage for the County's exposure.

In accordance with G.S. 159-29, the Finance Director is bonded for $1,000,000. The County Manager and the Tax Collector are individually bonded for $200,000 each. In addition, the Register of Deeds, Finance Specialist and Accountant are bonded for $50,000 each, and the Sheriff is bonded for $25,000. All other County employees who are not required to be bonded individually have fidelity coverage through the Crime Section of the County's liability insurance policy referenced above.

In accordance with G.S. 159-29, Transylvania County's employees that administer and have access to $100 or more of the Transylvania County Tourism Development Authority's funds at any given time are performance bonded through a commercial surety bond. Transylvania County's Finance Officer, who is responsible for accounting for the Authority's funds, is bonded separately under a surety bond for the Authority for $50,000.

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

Long-Term Obligations

Leases

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

As of June 30, 2025, Transylvania County had 14 active leases. The leases have payments that range from $767 to $89,493 and interest rates that range from 0.8100% to 3.6890%. As of June 30, 2025, the total combined value of the lease liability is $371,544, and the total combined value of the short-term lease liability is $97,766. The combined value of the right to use asset as of June 30, 2025 is $487,011 with accumulated amortization of $127,586 and is included in the County's capital assets.

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

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2026	$ 97,766	$ 9,224	$ 106,990
2027	70,869	6,937	77,806
2028	59,041	5,106	64,147
2029	59,516	3,343	62,859
2030	51,066	1,644	52,710
2031-2035	16,303	3,531	19,834
2036-2040	16,983	1,135	18,118
Total	$ 371,544	$ 30,920	$ 402,464

Subscriptions

The County has entered into subscription-based information technology arrangements (SBITAs). The SBITAs qualify as other than short-term SBITAs under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

As of June 30, 2025, Transylvania County had 1 active subscription. The subscription has payments of $57,444 and an interest rate of 2.7960%. As of June 30, 2025, the value of the subscription liability was $55,881, and the value of the short-term subscription liability was $55,881. The value of the right to use asset as of June 30, 2025 of $196,178 with accumulated amortization of $124,113 is included in the County's capital assets.

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

Governmental Activities:

Year Ending June 30	Principal	Interest	Total
2026	$ 55,881	$ 1,562	$ 57,443

Installment Financing Contracts

The County entered into an installment financing contract on September 30, 2015, with Branch Banking & Trust Company in the amount of $1,807,457. The proceeds from this installment financing contract were used to complete the County building. The contract requires four annual payments of $30,124 by the County and concurrent interest payments at an interest rate of 2.64 percent. The balance outstanding at June 30, 2025 totaled $575,828.

The County entered into an installment financing contract on July 13, 2023, with JP Morgan in the amount of $5,500,000. The proceeds from this installment financing contract were used to complete the new EMS Base building. The contract requires annual payments of $367,000 by the County and semi-annual interest payments at an interest rate of 3.56 percent. The balance outstanding at June 30, 2025 totaled $4,767,000.

The County's outstanding notes from direct placements related to governmental activities of $575,828 are secured with mortgaged property. The County's outstanding notes from direct placements related to governmental activities of $575,828 contain provisions that an event of default would result in (a) declare the unpaid principal components of the Installment Payments immediately due and payable; (b) proceed by appropriate court action to enforce the County's performance of the applicable covenants of the financing agreement or to recover for the breach thereof; (c) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner the bank may reasonably deem appropriate; and (d) avail itself of all available remedies under the financing agreement, including execution and foreclosure as provided in Sections 8.03 and 8.04 of the financing agreement, and recovery of attorneys' fees and other expenses.

The County's outstanding notes from direct placements related to governmental activities of $4,767,000 are secured with mortgaged property. The County's outstanding notes from direct placements related to governmental activities of $4,767,000 contain provisions that an event of default would result in (a) declare the entire principal amount of the Installment Payments and all accrued interest and other charges immediately due and payable without notice or demand to the County; (b) proceed by appropriate court action to enforce performance by the

County of the applicable covenants of the contract or to recover for the breach thereof; (c) exercise all the rights and remedies of a secured party or creditor under the Deed of Trust, Uniform Commercial Code of the State of North Carolina and the general laws of the State of North Carolina with respect to the enforcement of the security interest granted or reserved hereunder and under the Deed of Trust, including, without limitation, to the extent permitted by law, take possession of any collateral without any court order or other process of law and without liability for entering the Mortgaged Property and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, lease, sublease, or other disposition, after deducting all costs and expenses, including court costs and attorneys' fees, incurred with the recovery, repair, storage, and other sale, lease, sublease or other disposition costs, toward the balance due under the contract and, thereafter, shall pay any remaining proceeds to the County; (d) take possession of any proceeds of the Mortgaged Property, including Net Proceeds; (e) pursue any other remedy available at law or equity to the Bank.

The debt service requirements to maturity for the County's installment financing contracts are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 487,497	$ 183,714	$ 671,211
2027	487,497	167,468	654,965
2028	487,497	151,221	638,718
2029	487,497	134,975	622,472
2030	460,840	118,725	579,565
2031-2035	1,834,000	391,244	2,225,244
2036-2040	1,098,000	78,178	1,176,178
Total	$ 5,342,828	$ 1,225,525	$ 6,568,353

General Obligation Indebtedness

General Obligation bonds are collateralized by the full faith, credit, and taxing power of the County. Principal and interest requirements will be provided by appropriation in the year in which they become due.

If the County fails to pay any installment of principal or interest on its outstanding debts on or before their due date and remains in default for 90 days, the Local Government Commission may take action as it deems advisable to investigate the County's fiscal affairs, consult with the Board of Commissioners and negotiate with its creditors in order to assist the County in working out a plan for refinancing, adjusting or compromising the debt. The Local Government Commission has the statutory authority to impound the books and records of the County and assume full control of all its financial affairs when and for as long as it is deemed necessary.

$46,665,000 General Obligation School Bonds, Series 2024

Principal due in annual installments through April 2044. Installments range from $2,330,000 to $2,335,000. Interest payable annually ranges from 5.00% to 3.875%.	$ 44,335,000

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

Year Ending June 30	Principal	Interest	Total
2026	$ 2,335,000	$ 2,068,213	$ 4,403,213
2027	2,335,000	1,951,463	4,286,463
2028	2,335,000	1,834,713	4,169,713
2029	2,335,000	1,717,963	4,052,963
2030	2,335,000	1,601,213	3,936,213
2031-2035	11,675,000	6,254,813	17,929,813
2036-2040	11,665,000	3,359,613	15,024,613
2041-2045	9,320,000	905,788	10,225,788
Total	$ 44,335,000	$ 19,693,779	$ 64,028,779

At June 30, 2025, the County had a legal debt margin of $510,924,468.

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:

	June 30, 2024 as restated	Additions	Retirements	June 30, 2025	Current Portion
Governmental Activities:					
Direct placement - Installment financing	$ 5,830,325	$ -	$ 487,497	$ 5,342,828	$ 487,497
GO Bonds	-	46,665,000	2,330,000	44,335,000	2,335,000
Premium	-	4,153,723	207,868	3,945,855	207,868
Lease liabilities	229,180	305,703	163,339	371,544	97,766
Subscription liabilities	110,243	-	54,362	55,881	55,881
Net pension liability - LGERS	13,851,249	402,827	-	14,254,076	-
Total pension liability - LEO	2,760,106	396,567	-	3,156,673	217,593
Total OPEB liability	2,562,745	223,962	-	2,786,707	396,913
Compensated absences *	3,897,647	259,341	-	4,156,988	1,582,086
Total	$ 29,241,495	$ 52,407,123	$ 3,243,066	$ 78,405,552	$ 5,380,604
Business-Type Activities:					
Total OPEB liability	$ 134,881	$ 11,788	$ -	$ 146,669	$ 20,890
Net pension liability - LGERS	729,013	21,201	-	750,214	-
Accrued landfill closure and post-closure care costs	8,408,926	223,905	-	8,632,831	-
Lease liabilities	30,595	-	30,595	-	-
Compensated absences *	99,499	11,488	-	110,987	63,359
Total	$ 9,402,914	$ 268,382	$ 30,595	$ 9,640,701	$ 84,249

* Change in compensated absences above is the net change for the year.

Net pension liabilities and other post-employment benefits have typically been liquidated in the General Fund.

Net Investment in Capital Assets

The total net investment in capital assets as of June 30, 2025, is composed of the following elements:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation and amortization	$ 44,723,404	$ 4,501,121
Less: capital debt		
Gross debt	(54,051,108)	-
Add:		
School debt related to assets to which the County does not hold title	48,280,855	-
Net capital debt	5,770,253	-
Net investment in capital assets	$ 38,953,151	$ 4,501,121

C. Interfund Balances and Activity

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

From the Education Capital Project Fund to the General Fund to fund debt service payments for school bonds	$ 3,209,954
From the General Fund to the General Capital Projects fund to fund various projects	4,337,929
From the General Fund to the General Capital Projects fund to close out Sylvan Valley project	817,588
From the General Fund to the Solid Waste Fund to supplement other funding sources	592,963
From the General Fund to the Group Insurance Service Fund, to support increase in health insurance costs	1,580,000

From the General Fund to the Disaster Response Fund to cover expenditures related to Hurricane Helene, not covered by grant or insurance settlements	1,060,000
From the Capital Reserve Fund to the Education Capital Project Fund to fund education projects for local schools	2,350,111
From the General Capital Projects Fund to the General Fund to provide for remaining resources of EMS Base project to cover debt payments	640,111
From the Capital Reserve Fund to the General Fund for FF&E and vehicle expenditures	835,309
Total	$ 15,423,965

The due to/from other funds at June 30, 2025 consist of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Multi-Year Grant Ordinance Fund	$ 407,840
General Fund	General Capital Projects Fund	292,160
Total		$ 700,000

The interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The balance above represents advances from the General Fund. Grant funds have been requested to repay the General Fund.

4. Joint Ventures

Transylvania County and the Transylvania County Board of Education are working together on a plan to repair and renovate nine school sites utilizing $68 million in bond funds passed by vote in November 2018. The plan will include a multi-year funding plan incorporating bonds and cash to accomplish the needs identified in a third-party building assessment and recommended by a joint work study group including members from the school and County staff and consultants. The BOE and BOC received recommendations from the study group for consideration. A funding plan was then be developed to move forward initial project needs identified, which include bond funds, cash and/or additional financing.

Transylvania County, the City of Brevard and the Transylvania Economic Alliance entered into an agreement dated November 14, 2017 concerning the expansion of economic development opportunities within the City of Brevard and Transylvania County. Under the terms of the agreement, the City of Brevard conveyed a parcel of land to the Alliance and the County agreed to finance the construction of a manufacturing facility. In return, the Alliance entered into promissory

notes with both entities with the value of the City's note being forgiven after five years or the sale of the facility and the County's portion being paid down by proceeds from lease of facility or through the sale of the facility by the Alliance to a private entity. The facility opened formally to private use under the management of the Alliance in January 2019. The Alliance and the county have sought and received a second Golden Leaf grant to fund a phase 2 expansion on the building. The county funded and constructed the expansion with a promissory note on the expansion in FY25. Completion of construction occurred in FY26.

The County, in conjunction with 21 other counties, is a member of the Vaya Health Local Management Entity (LME), which provides mental health, development disability, and substance abuse services to residents of the twenty-two County area. Each participating government appoints members to the governing board of the LME. The County has ongoing financial responsibility to provide maintenance of effort funding to assist in providing mental health services primarily within the County. The County contributed $99,261 towards this maintenance of effort in the form of grants to service providers during the fiscal year ended June 30, 2025. None of the 22 participating governments has any equity interest in the LME, so no equity has been reflected in the financial statements at June 30, 2025. Complete financial statements for the LME may be obtained from the LME's administrative office at 200 Ridgefield Court, Asheville, North Carolina.

5. Related Party Transactions

The County and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2025:

Transylvania County Tourism Development Authority:	
Payments of occupancy tax due to the Authority from the County	$ 232,225
Payments of occupancy tax paid to the Authority from the County	$ 1,772,724

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.

7. Claims and Judgments

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

8. Adjustment and Restatement of Beginning Balances

During the current year, the County implemented GASB Statement No. 101, *Compensated Absences.* In addition to the value of the 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. The effects of the change in accounting principle are summarized below in the "Restatement – GASB 101 implementation" column in the table below.

Government-wide	Net Position 6/30/2024 as previously Reported	Restatement - GASB 101 Implementation	Net Position 6/30/2024 as restated
Governmental activities	$ 118,165,907	$ (2,494,534)	$ 115,671,373
Business-type activities	$ 7,509,833	$ (49,882)	$ 7,459,951

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REQUIRED SUPPLEMENTARY FINANCIAL DATA

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

- **Schedule of Changes in Total Pension Liability for Law Enforcement Officers' Special Separation Allowance – Last Nine Fiscal Years**
- **Schedule of Total Pension Liability as a Percentage of Covered-Employee Payroll for Law Enforcement Officers' Special Separation Allowance – Last Nine Fiscal Years**
- **Schedule of Changes in the Total OPEB Liability and Related Ratios – Retiree Health Plan – Last Eight Fiscal Years**
- **Notes to Required Schedules of Other Post-Employment Benefits - Retiree Health Plan**
- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Governmental Employees' Retirement System – Last Ten Fiscal Years**
- **Schedule of Contributions to Local Governmental Employees' Retirement System – Last Ten Fiscal Years**
- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Register of Deed's Supplemental Pension Fund – Last Ten Fiscal Years**
- **Schedule of Contributions to Register of Deed's Supplemental Pension Fund – Last Ten Fiscal Years**

TRANSYLVANIA COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance			
	2025	2024	2023	2022
Beginning balance	$ 2,760,106	$ 2,757,992	$ 2,457,496	$ 2,436,592
Service cost	99,080	91,189	121,270	120,367
Interest on the total pension liability	99,428	106,707	48,646	49,997
Differences between expected and actual experience in the measurement of the total pension liability	554,195	(32,624)	526,681	13,521
Changes of assumptions or other inputs	(116,368)	50,696	(189,175)	6,998
Benefit payments	(239,768)	(213,854)	(206,926)	(169,979)
Ending balance of the total pension liability	$ 3,156,673	$ 2,760,106	$ 2,757,992	$ 2,457,496

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

TRANSYLVANIA COUNTY, NORTH CAROLINA

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance				
	2021	**2020**	**2019**	**2018**	**2017**
Beginning balance	$ 2,019,715	$ 1,975,412	$ 2,066,762	$ 1,694,384	$ 1,655,418
Service cost	73,338	78,197	82,840	75,265	72,405
Interest on the total pension liability	63,798	69,997	63,707	64,010	58,119
Differences between expected and actual experience in the measurement of the total pension liability	227,895	(36,800)	(68,096)	190,712	-
Changes of assumptions or other inputs	177,281	52,429	(68,389)	114,593	(36,692)
Benefit payments	(125,435)	(119,520)	(101,412)	(72,202)	(54,866)
Ending balance of the total pension liability	$ 2,436,592	$ 2,019,715	$ 1,975,412	$ 2,066,762	$ 1,694,384

TRANSYLVANIA COUNTY, NORTH CAROLINA

SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE LAST NINE FISCAL YEARS

	Law Enforcement Officers' Special Separation Allowance			
	2025	2024	2023	2022
Total pension liability	$ 3,156,673	$ 2,760,106	$ 2,757,992	$ 2,457,496
Covered-employee payroll	4,078,591	3,204,938	3,204,938	3,153,924
Total pension liability as a percentage of covered-employee payroll	77.40%	86.12%	86.05%	77.92%

Notes to the Schedules:

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

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

TRANSYLVANIA COUNTY, NORTH CAROLINA

**SCHEDULE OF TOTAL PENSION LIABILITY AS A
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST NINE FISCAL YEARS**

	Law Enforcement Officers' Special Separation Allowance				
	2021	2020	2019	2018	2017
Total pension liability	$ 2,436,592	$ 2,019,715	$ 1,975,412	$ 2,066,762	$ 1,694,384
Covered-employee payroll	3,153,924	2,804,103	2,979,305	3,025,120	2,838,700
Total pension liability as a percentage of covered-employee payroll	77.26%	72.03%	66.30%	68.32%	59.69%

TRANSYLVANIA COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	Other Post-Employment Benefits			
	2025	**2024**	**2023**	**2022**
Service cost	$ 20,647	$ 20,764	$ 32,843	$ 31,517
Interest	96,990	101,838	59,924	65,875
Differences between expected and actual experience	632,718	107,877	38,252	(241,312)
Changes of assumptions or other inputs	(49,108)	(17,503)	(64,914)	6,380
Benefit payments	(465,497)	(442,475)	(68,408)	(68,918)
Net change in total OPEB liability	235,750	(229,499)	(2,303)	(206,458)
Total OPEB liability - beginning	2,697,626	2,927,125	2,929,428	3,135,886
Total OPEB liability - ending	$ 2,933,376	$ 2,697,626	$ 2,927,125	$ 2,929,428
Covered-employee payroll	$ 1,023,060	$ 1,390,566	$ 1,390,566	$ 1,248,555
Total OPEB liability as a percentage of covered-employee payroll	286.73%	193.99%	210.50%	234.63%

Notes to the Required Schedules:

Changes of Assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

Fiscal Year	Rate
2018	3.56%
2019	3.89%
2020	3.50%
2021	2.21%
2022	2.16%
2023	3.69%
2024	3.86%
2025	4.21%

Transylvania County has no assets accumulated in a trust that meet the criteria of GASB codification P22.101 or P52.101 to pay related benefits.

This schedule is intended to show information for ten years.
Additional years' information will be displayed as it becomes available.

TRANSYLVANIA COUNTY, NORTH CAROLINA

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	Other Post-Employment Benefits			
	2021	**2020**	**2019**	**2018**
Service cost	$ 36,475	$ 34,050	$ 59,784	$ 64,873
Interest	121,331	138,155	132,075	117,703
Differences between expected and actual experience	(542,388)	(91,156)	(285,138)	(138,367)
Changes of assumptions or other inputs	177,169	68,231	112,290	(115,172)
Benefit payments	(246,620)	(219,709)	(136,057)	(123,160)
Net change in total OPEB liability	(454,033)	(70,429)	(117,046)	(194,123)
Total OPEB liability - beginning	3,589,919	3,660,348	3,777,394	3,971,517
Total OPEB liability - ending	$ 3,135,886	$ 3,589,919	$ 3,660,348	$ 3,777,394
Covered-employee payroll	$ 1,248,555	$ 1,153,125	$ 1,153,125	$ 2,033,757
Total OPEB liability as a percentage of covered-employee payroll	251.16%	311.32%	317.43%	185.73%

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2025	**2024**	**2023**	**2022**	**2021**
County's proportion of the net pension liability (asset) (%)	0.22257%	0.22014%	0.24077%	0.24087%	0.23004%
County's proportion of the net pension liability (asset) ($)	$ 15,004,290	$ 14,580,262	$ 13,582,866	$ 3,693,973	$ 8,220,309
County's covered payroll	$ 21,842,895	$ 19,552,611	$ 18,704,586	$ 18,306,434	$ 17,525,902
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.69%	74.57%	72.62%	20.18%	46.90%
Plan fiduciary net position as a percentage of the total pension liability**	83.30%	82.49%	84.14%	95.51%	88.61%

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

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) (%)	0.21633%	0.21395%	0.22859%	0.21772%	0.21686%
County's proportion of the net pension liability (asset) ($)	$ 5,907,804	$ 5,075,626	$ 3,492,222	$ 4,620,747	$ 973,254
County's covered payroll	$ 15,202,874	$ 14,316,146	$ 14,615,583	$ 13,754,619	$ 13,295,491
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.86%	35.45%	23.89%	33.59%	7.32%
Plan fiduciary net position as a percentage of the total pension liability**	90.86%	91.63%	94.18%	91.47%	98.09%

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental Employees' Retirement System	2025	2024	2023	2022	2021
Contractually required contribution	$ 3,163,387	$ 2,849,756	$ 2,396,455	$ 2,156,669	$ 1,875,300
Contributions in relation to the contractually required contribution	3,163,387	2,849,756	2,396,455	2,156,669	1,875,300
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 22,849,284	$ 21,842,895	$ 19,552,611	$ 18,704,586	$ 18,306,434
Contributions as a percentage of covered payroll	13.84%	13.05%	12.26%	11.53%	10.24%

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental Employees' Retirement System

	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,595,317	$ 1,197,774	$ 1,095,723	$ 1,082,984	$ 932,593
Contributions in relation to the contractually required contribution	1,595,317	1,197,774	1,095,723	1,082,984	932,593
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
County's covered payroll	$ 17,525,902	$ 15,202,874	$ 14,316,146	$ 14,615,583	$ 13,754,619
Contributions as a percentage of covered payroll	9.10%	7.88%	7.65%	7.41%	6.78%

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

Register of Deeds' Supplemental Pension Fund

	2025	2024	2023	2022	2021
County's proportion of the net pension liability (asset) (%)	0.39332%	0.41594%	0.40621%	0.40836%	0.38667%
County's proportion of the net pension liability (asset) ($)	$ (45,322)	$ (49,984)	$ (53,782)	$ (78,458)	$ (88,617)
Plan fiduciary net position as a percentage of the total pension liability**	133.61%	135.74%	139.04%	156.53%	173.62%

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

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

TRANSYLVANIA COUNTY, NORTH CAROLINA

**TRANSYLVANIA COUNTY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

Register of Deeds' Supplemental Pension Fund	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset) (%)	0.39774%	0.36639%	0.42666%	0.42072%	0.41405%
County's proportion of the net pension liability (asset) ($)	$ (78,522)	$ (60,685)	$ (72,827)	$ (78,658)	$ (95,952)
Plan fiduciary net position as a percentage of the total pension liability**	164.11%	153.31%	153.77%	160.17%	197.29%

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Register of Deeds' Supplemental Pension Fund

	2025	2024	2023	2022	2021
Contractually required contribution	$ 3,330	$ 3,384	$ 3,712	$ 4,657	$ 4,901
Contributions in relation to the contractually required contribution	3,330	3,384	3,712	4,657	4,901
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -

TRANSYLVANIA COUNTY, NORTH CAROLINA

TRANSYLVANIA COUNTY'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Register of Deeds' Supplemental Pension Fund	2020	2019	2018	2017	2016
Contractually required contribution	$ 3,702	$ 3,452	$ 3,463	$ 3,707	$ 3,437
Contributions in relation to the contractually required contribution	3,702	3,452	3,463	3,707	3,437
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Contract, the Indenture and the Deed of Trust. This summary is not intended to be definitive and is qualified in its entirety by reference to each of the aforementioned documents for the complete terms thereof. Copies of said documents are available from the County on request.

DEFINITIONS

"*Acquisition and Construction Fund*" means the special fund created under the Indenture.

"*Additional Bonds*" means additional parity bonds or other parity obligations executed and delivered in accordance with the Indenture.

"*Additional Payments*" means the reasonable and customary expenses and fees (including, but not limited to, attorneys' fees, costs and expenses) of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with the Contract or the Indenture and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes which the County or the Corporation is expressly required to pay as a result of the Contract (together with interest that may accrue thereon if the County fails to pay the same).

"*Beneficiary*" means the Trustee, as assignee of the Corporation, as beneficiary under the Deed of Trust.

"*Board*" means the Board of Commissioners of the County.

"*Bond Fund*" means the special fund created under the Indenture.

"*Bonds*" means the 2026 Bonds and any Additional Bonds.

"*Business Day*" means a day other than (a) a day on which the Trustee or the County is authorized by law to remain closed or (b) a day on which the New York Stock Exchange is closed.

"*Cede & Co.*" means Cede & Co., the nominee of DTC or any successor nominee of DTC with respect to the Bonds.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the rulings and regulations (including temporary and proposed regulations) promulgated thereunder, or any successor statute thereto.

"*Contract*" means the Installment Financing Contract dated as of December 1, 2026 between the Corporation and the County and any amendments thereto, including the Exhibits attached thereto.

"*Corporation*" means Land of Waterfalls Financing Corporation or any successor thereto.

"*Corporation Representative*" means any person or persons at the time designated to act on behalf of the Corporation for purposes of performing any act on behalf of the Corporation under the Contract and the Indenture by a written certificate furnished to the County and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President.

"*Cost of Acquisition and Construction*" includes payment of or reimbursement for the following items:

(a) the Costs of Issuance;

(b) obligations incurred or assumed for the Projects in connection with the acquisition, construction, renovation, equipping and financing or refinancing thereof, including, without limitation, costs of obtaining title insurance and a survey of the Mortgaged Property; and

(c) all other costs which are considered to be a part of the cost of acquisition, construction, renovation, equipping and financing of the Projects in accordance with generally accepted accounting principles and, to the extent applicable, which will not affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable by the County, including sums required to reimburse the County for advances made by the County that are properly chargeable to the acquisition, construction, renovation, equipping and financing of the Projects.

"*Costs of Issuance*" means the costs incurred in connection with the initial execution and delivery of the Bonds, including, without limitation, all printing expenses in connection with the Indenture, the Contract, and the documents and certificates contemplated by the Indenture, the Preliminary Official Statement and the Official Statement for the Bonds, if any, and the Bonds, legal fees and expenses of counsel to the Corporation, special counsel, counsel to the County, other counsel, counsel to the purchaser or purchasers of the Bonds, municipal advisor fees, rating agency fees, any accounting expenses incurred in connection with determining that the Bonds are not "arbitrage bonds" within the meaning of the Code, the Trustee's initial fees and expenses (including attorney's fees, costs, and expenses), and state license fees, on the submission of requisitions by the County signed by a County Representative stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of executing and delivering the Bonds.

"*County*" means the County of Transylvania, North Carolina or any successor to its functions.

"*County Representative*" means (1) the Chair of the Board of Commissioners, County Manager, the Finance Director, the Clerk to the Board of Commissioners, or the person or persons at the time designated to act on behalf of the County for the purpose of performing any act under the Contract by a written certificate furnished to the Trustee and the Corporation containing the specimen signatures of such person or persons and signed on behalf of the County by the County Manager or the Finance Director of the County, or (2) if any or all of the County's rights and obligations are assigned under the Contract, the person or persons at the time designated to act on behalf of the County and the assignee by a written certificate similarly furnished and of the same tenor.

"*Deed of Trust*" means the Deed of Trust, Security Agreement and Fixture Filing dated as of December 1, 2026 from the County to the deed of trust trustee named therein for the benefit of the Corporation or its assignees, as the same may be modified or extended in accordance with its terms. All of the terms, definitions, conditions and covenants of the Deed of Trust are incorporated by reference and are made a part of the Contract as if fully set forth therein.

"*Deed of Trust Trustee*" means the trustee named in the Deed of Trust and any trustee subsequently named pursuant to the terms of the Deed of Trust.

"*DTC*" means The Depository Trust Company, a limited purpose company organized under the law of the State of New York, and its successors and assigns.

"*DTC Participant*" or "*DTC Participants*" means securities brokers and dealers, banks, trust companies, clearing corporations and certain other corporations which have access to the DTC system.

"*Event of Default*" means those events of default specified in the Contract and the Indenture, as applicable.

"*Federal Securities*" means, to the extent such investments qualify under Section 159-30, or any replacement statute, of the General Statutes of North Carolina as amended from time to time, (a) direct obligations of the United States of America, obligations the principal of and interest on which are guaranteed by the United States of America or obligations of any agency or instrumentality of the United States of America, in each case for the payment of which the full faith and credit of the United States of America are pledged (including any securities issued or held in the name of the Trustee in book entry form on the books of the Department of the Treasury of the United States of America) which obligations are held by the Trustee and are not subject to prepayment or purchase before maturity at the option of anyone other than the holder; (b) any bonds or other obligations of any state or territory of the United States of America or of any agency, instrumentality or local governmental unit of any such state or territory which are (1) not callable before maturity or (2) as to which irrevocable instructions have been given to the trustee or escrow agent of such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified, and which are rated by Moody's and S&P within its highest rating category and which are secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) of this definition which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate; or (c) evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in clause (a) or (b) held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in clause (a) or (b), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

"*Fiscal Year*" means a twelve-month period commencing on the first day of July of any year and ending on the 30th day of June of the succeeding year, or such other twelve-month period which may subsequently be adopted as the Fiscal Year of the County.

"*Indenture*" means the Indenture of Trust dated as of December 1, 2026 between the Corporation and the Trustee, as amended or supplemented from time to time, pursuant to which the Bonds are executed and delivered.

"*Installment Payments*" means those payments made by the County to the Corporation as described in the Contract and in the Payment Schedule attached thereto.

"*Interest Payment Date*" means, (a) with respect to the 2026 Bonds, each June 1 and December 1, beginning on June 1, 2027 and (b) for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds.

"*LGC*" means the Local Government Commission of North Carolina.

"*Moody's*" means Moody's Investors Service, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, "*Moody's*" will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"*Mortgaged Property*" means the property subject to the lien and security interest created by the Deed of Trust, as more particularly described therein.

"*Net Proceeds*" means, when used with respect to any (1) proceeds from policies of insurance which are payable to the Corporation or the Trustee with respect to the Mortgaged Property, (2) proceeds from any payment and performance bond maintained pursuant to the Contract, (3) proceeds of any condemnation award arising out of the condemnation of all or any portion of the Mortgaged Property, or (4) proceeds from any sale or lease of the Mortgaged Property pursuant to the Deed of Trust or otherwise subsequent to an Event of Default, the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys' fees, costs and expenses) incurred in the collection of such proceeds.

"*Opinion of Counsel*" means an opinion in writing of legal counsel, who may be counsel to the Trustee, the County or the Corporation.

"*Outstanding*" or "*Bonds Outstanding*" means, as of the date in question, all Bonds which have been executed and delivered under the Indenture, except:

(a) Bonds canceled or which have been surrendered to the Trustee for cancellation;

(b) Bonds in lieu of which other Bonds have been authenticated under the Indenture;

(c) Bonds which have been prepaid as provided in the Indenture (including Bonds prepaid on a partial payment as provided in the Indenture); and

(d) Bonds which have been deemed paid under the Indenture.

"*Owner*" or "*Owners*" means, initially, Cede & Co., as nominee for DTC, and if the book entry system of evidence and transfer of ownership in the Bonds is discontinued, the registered owner or owners of any Bond fully registered as shown in the registration books of the Trustee.

"*Payment Schedule*" means the document attached to the Contract and incorporated therein by reference, which sets forth the County's Installment Payments.

"*Permitted Investments*" means investments which are qualified under Section 159-30, or any replacement statute, of the General Statutes of North Carolina, as amended from time to time.

"*Person*" or "*person*" means natural persons, firms, associations, corporations and public bodies.

"*Prepayment Fund*" means the special fund of that name created under the Indenture.

"*Projects*" means, initially, the 2026 Project, as such term may be amended in connection with any other project financed or refinanced with the proceeds of Additional Bonds executed and delivered under the Indenture.

"*Purchase Price*" means the amount advanced by the Corporation to enable the County to finance and refinance the Projects, as such price may be adjusted in connection with the execution and delivery of Additional Bonds under the Indenture.

"*Rebate Fund*" means the special fund of that name created under the Indenture.

"*Record Date*" means the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

"*Revenues*" means (a) all Net Proceeds not applied to the replacement of the Mortgaged Property; (b) all Installment Payments; and (c) all investment income on all funds and accounts created under the Indenture (other than the Rebate Fund).

"*S&P*" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, its successors and their assigns, and, if such entity for any reason no longer performs the function of a securities rating agency, "*S&P*" will be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"*State*" means the State of North Carolina.

"*Tax Certificate*" means the Tax Certificate dated December 1, 2026, executed by and among the County, the Corporation and the Trustee to signify the acceptance of certain covenants and obligations necessary for the exclusion of interest with respect to the 2026 Bonds from the gross income of the owners thereof under the Code.

"*Trustee*" means U.S. Bank Trust Company, National Association, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

"*Trust Estate*" means the property pledged and assigned to the Trustee pursuant to and defined as such in the granting clauses of the Indenture.

"*Trustee Representative*" means the person or persons at the time designated to act on behalf of the Trustee for purposes of performing any act on behalf of the Trustee under the Indenture by a written certificate furnished to the County and the Corporation containing the specimen signature of such person or persons and signed on behalf of the Trustee by any duly authorized officer of the Trustee.

"*Underwriter*" means, with respect to the 2026 Bonds, Raymond James & Associates, Inc.

"*2026 Bonds*" means the Limited Obligation Bonds (County of Transylvania, North Carolina), Series 2026, evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to the Contract.

"*2026 Project*" means the acquisition, construction and equipping of County judicial facilities, including, but not limited to, a new courthouse building, together with related site development and appurtenant improvements thereto.

THE CONTRACT

Advancement. In the Contract, the Corporation agrees to make an advance to the County of the Purchase Price, and the County accepts from the Corporation the Purchase Price to be applied in accordance

with the terms and conditions of the Contract. The County will use the proceeds of the Purchase Price to finance the Projects and to pay the Costs of Issuance.

Title; Release of Security Interest. Title to the Mortgaged Property and any and all additions, repairs, replacements or modifications thereto will be in the County from and after the date of execution and delivery of the Contract. The County will own the Mortgaged Property free and clear of any lien or security interest created by the Contract and the Deed of Trust, as applicable, on the repayment in full of the Purchase Price and the payment of all other amounts due under the Contract. The County will deliver to the Trustee the Deed of Trust simultaneously with the execution and delivery of the Contract and will cause the Deed of Trust to be recorded in the Transylvania County Register of Deeds. On payment in full of all of the County's obligations under the Contract, including the Purchase Price and all other payments due under the Contract, the Corporation or its assignee, at the County's expense and request, will discharge the Indenture and release the lien on the Mortgaged Property, at which time the Contract will terminate.

Installment Payments; Additional Payments. As consideration for the Corporation's advance of the Purchase Price to the County, the County shall repay to the Trustee, as assignee of the Corporation under the Indenture, the Purchase Price in installments with interest as provided in the Contract and the Payment Schedule attached to the Contract (each an "*Installment Payment*"). Each installment shall be deemed to be an Installment Payment and shall be paid in the amounts and at the times set forth on the Payment Schedule except as provided in the Contract. There shall be credited against the amount of Installment Payments otherwise payable under the Contract amounts equal to (1) earnings derived from the investment of the Bond Fund and the Prepayment Fund and (2) any other money not constituting Installment Payments required to be deposited in the Bond Fund. Installment Payments shall be sufficient in the aggregate to repay the Purchase Price together with interest thereon. As further consideration for the Corporation's advance of the Purchase Price to the County, the County shall also pay the Additional Payments, as required in the Contract, on a timely basis directly to the person or entity to which such Additional Payments are owed.

Limited Obligation of the County. NOTWITHSTANDING ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST WHICH MAY BE TO THE CONTRARY, NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. NO PROVISION OF THE CONTRACT, THE DEED OF TRUST OR THE INDENTURE SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THE CONTRACT, THE DEED OF TRUST AND THE INDENTURE SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE UNDER THE CONTRACT. NO PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE COUNTY'S MONEY, NOR SHALL ANY PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE ISSUANCE OF ANY OF THE COUNTY'S BONDS OR OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE COUNTY'S MONEY. TO THE EXTENT OF ANY CONFLICT BETWEEN THIS PROVISION AND ANY OTHER PROVISION OF THE CONTRACT, THE INDENTURE OR THE DEED OF TRUST, THIS PROVISION SHALL TAKE PRIORITY.

Damage, Destruction or Condemnation; Use of Net Proceeds. If, during the term of the Contract, (1) any portion of the Mortgaged Property is destroyed or damaged by fire or other casualty; (2) title to or the temporary or permanent use of any portion of the Mortgaged Property or the estate of the County or the Corporation or its assignee in any portion of the Mortgaged Property is taken under the power of eminent domain by any governmental authority; (3) a material defect in construction of any portion of the Mortgaged Property becomes apparent; or (4) title to or the use of any portion of the Mortgaged Property is lost by reason of a defect in title thereto, then the County continues to be obligated, subject to the provisions set forth below, to pay the amounts specified in the Contract at the respective times required and written notice of any of the foregoing shall promptly be given to the Trustee.

Subject to the provisions set forth below, the County shall direct the Trustee in writing to cause the Net Proceeds of any insurance policies, performance or payment bonds, if any, condemnation awards or Net Proceeds made available by reason of any occurrence described above, to be deposited in a separate fund held by the Trustee. Except as set forth below, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Mortgaged Property on receipt of requisitions approved by a County Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount to be paid; and (d) that each obligation mentioned therein has been properly incurred, is a proper charge against the Acquisition and Construction Fund or such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee will cooperate with the County in the administration of such separate fund and shall not unreasonably withhold its approval of requisitions under this paragraph. The Trustee shall be fully protected in releasing amounts approved by the County Representative and the Trustee has no duty or obligation to determine whether or not any such requisitioned amounts are appropriate. If the Net Proceeds (plus any amount withheld therefrom by reason of any deductible clause) are insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Mortgaged Property, the County may complete the work and pay any cost in excess of the amount of the Net Proceeds, and the County agrees that, if by reason of any such insufficiency of the Net Proceeds, the County will make any payments pursuant to the provisions of this paragraph, the County is not entitled to any reimbursement therefor from the Corporation, the Trustee or the Owners nor is the County entitled to any diminution of the amounts payable under the Contract. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds will be the property of the County, subject to the Deed of Trust to the extent it relates to the Mortgaged Property, and will be included as part of the Mortgaged Property as set forth in the Contract.

On the occurrence of an event described above with respect to the Mortgaged Property, the County may elect not to repair, restore, improve or replace the affected portion of the Mortgaged Property if (1) (a) the Net Proceeds are less than $1,000,000 and (b) a County Representative certifies to the Corporation that such Net Proceeds are not necessary to restore the affected portion of the Mortgaged Property to its intended use or (2) the County uses the Net Proceeds, together with any other available funds of the County that may be necessary, to redeem or defease all of the Outstanding Bonds in accordance with the terms of the Indenture. In such event, the County shall direct the Trustee in writing to either deposit such Net Proceeds in the Bond Fund to be applied toward the next payment of principal and interest with respect to the Bonds or in the Prepayment Fund or an escrow fund to effect the prepayment or defeasance of the Outstanding Bonds, as the case may be.

Within 90 days of the occurrence of an event specified above, the County will commence the repair, restoration, modification, improvement or replacement of the Mortgaged Property, or will elect, by written notice to the Trustee, to proceed under the provisions of the immediately preceding paragraph. For purposes of these provisions, "commence" will include the retention of an architect or engineer in anticipation of repair, restoration, modification, improvement or replacement of the Mortgaged Property.

Care and Use. Subject to the provisions of applicable law and the terms of the Contract, the County shall use the Mortgaged Property in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole cost and expense, shall service, repair and maintain the Mortgaged Property so as to keep the Mortgaged Property in good condition, repair, appearance and working order for the purposes intended, ordinary wear and tear excepted. The County shall replace any part of the Mortgaged Property as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged, if necessary to the proper operation of the Mortgaged Property. Any and all additions to or replacements of the Mortgaged Property and all parts thereof shall constitute accessions to the Mortgaged Property and shall be subject to all the terms and conditions of the Contract and included in the term "*Mortgaged Property*" and as used in the Contract.

General Tax Covenant. In the Contract, the County covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest portion of the Installment Payments created by the Contract and allocable to the 2026 Bonds under Section 103 of the Code. The County will not directly or indirectly use or permit the use of any proceeds of any fund created under the Indenture allocable to the 2026 Bonds, or take or omit to take any action that would cause the obligation created by the Contract and allocable to the 2026 Bonds to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. To that end, the County and the Corporation have executed the Tax Certificate and will comply with all requirements of Section 148 of the Code to the extent applicable. The County further represents and covenants that the Installment Payments created by the Contract and allocable to the 2026 Bonds are not and will not constitute a "private activity bond" as defined in Section 141 of the Code.

Property Insurance. The County shall continually maintain or cause to be maintained insurance to the full insurable value of the Mortgaged Property against, to the extent commercially available at a reasonable cost, loss by fire, wind damage, hazards customarily included in the term "extended coverage" with responsible and reputable insurance companies and shall promptly pay all premiums therefor when due. All insurance policies and renewals thereof shall name the Corporation and the Trustee as parties insured thereunder, as the respective interests of each of such parties may appear, and have attached thereto a mortgagee long form loss payable clause in favor of the Trustee, and provide that no such policy can lapse or be canceled, substantially modified or terminated without at least 30 days prior notice to the Trustee and that any loss payable thereunder shall be made payable and shall be applied as provided in the Contract. In the event of loss, the County shall give immediate written notice by mail to the Trustee, who may, but shall not be obligated to, make proof of loss. In the event of a foreclosure of the Deed of Trust or other transfer of title to the Mortgaged Property, all right, title and interest of the County in any insurance policies then in force shall pass to the Trustee. Additionally, during the term of the Contract, the County shall continually maintain standard liability insurance as is customarily maintained by like entities with respect to facilities similar to the Mortgaged Property.

The County may provide for and maintain the insurance required under the Contract partially or wholly by means of an adequate risk retention fund. Reserves for a risk retention fund shall be determined by using actuarial principles. Any risk retention fund shall be reviewed annually by the County's risk manager or an independent insurance consultant or actuarial consultant. The Trustee shall conclusively rely on a letter of the County's risk manager or an independent insurance consultant or actuarial consultant as to the adequacy of any risk retention fund. The Trustee has made no evaluation as to the sufficiency of the insurance requirements set forth in the Contract.

Assignment. The County may not sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance on or against any interest in the Contract or the Mortgaged Property (except for permitted encumbrances under the Contract and as defined in the Deed of Trust) without the prior

written consent of the Trustee. Notwithstanding the foregoing, the County may lease all or a portion of the Mortgaged Property subject to the following conditions:

(a) the obligation of the County to make Installment Payments and Additional Payments under the Contract will remain obligations of the County;

(b) the County will furnish or cause to be furnished to the Trustee a true and complete copy of such lease at least 30 days before the execution and delivery of any such lease;

(c) no lease will cause the interest component of Installment Payments relating to any Bonds intended to be excludable from gross income of the recipient thereof for federal income tax purposes to become includable in gross income for federal income tax purposes; and

(d) the Trustee may request to receive an Opinion of Counsel to the County to the effect that such lease is subordinate in all respects to the lien of the Deed of Trust and that such lease is subject to immediate termination at the direction of the Trustee following an Event of Default by the County under the Contract.

Amendments and Modifications.

--*Without Consent of the Owners.* The Indenture provides that the Corporation and the Trustee may, with the written consent of the County, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust as may be required (a) by the provisions of the Contract, the Deed of Trust or the Indenture; (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Contract or the Deed of Trust; (c) to more precisely identify the Mortgaged Property or to add or substitute improvements acquired in accordance with the Contract, the Deed of Trust and the Indenture; (d) to execute and deliver Additional Bonds as provided in the Indenture; (e) to amend the County's continuing disclosure obligation as provided in any supplement or amendment to the Contract; or (f) in connection with any other change therein which does not materially adversely affect the interests of the existing Owners.

--*With Consent of the Owners.* The Indenture provides that, except for the amendments, changes or modifications permitted by the above provision, neither the Corporation nor the Trustee will consent to any other amendment, change or modification of the Contract or the Deed of Trust without the giving of notice thereof to the LGC and to the Owners and receipt of consent by the LGC and by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding given and procured as provided in the Indenture. If the County and the Corporation request the consent of the Trustee to any such proposed amendment, change or modification of the Contract or the Deed of Trust, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture. Such notice will be prepared by the County or the Corporation, shall briefly set forth the nature of such proposed amendment, change or modification and will state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by all Owners.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

Events of Default. The occurrence of the following are considered Events of Default under the Contract:

(a) The County fails to make any Installment Payment on the date such Installment Payment is due under the Contract;

(b) The County fails to budget and appropriate money sufficient to pay all Installment Payments and the reasonably estimated Additional Payments coming due in any Fiscal Year;

(c) The County fails to perform or observe any term, condition or covenant of the Contract on its part to be observed or performed, other than as referred to in (a) or (b) above, or of the Deed of Trust on its part to be observed or performed, or breaches any warranty by the County contained in the Contract or the Deed of Trust, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Trustee will not unreasonably withhold consent for an extension;

(d) Any bankruptcy, insolvency or reorganization proceedings or similar litigation, is instituted by the County, or a receiver, custodian or similar officer is appointed for the County or any of its property, and such proceedings or appointments are not vacated or fully stayed within 90 days after the institution or occurrence thereof; or

(e) Any representation or statement made by the County in the Contract, in the Deed of Trust or in any other document executed or delivered in connection therewith is found to be incorrect or misleading in any material respect on the date made.

Remedies on Default. On the occurrence of any Event of Default, the Trustee may, and if required by a majority in aggregate principal amount of the Owners of the Bonds, the Trustee shall, to the extent permitted by applicable law and the Contract, exercise any one or more of the following remedies as the Trustee may elect or as shall be directed in writing by a majority in aggregate principal amount of the Owners of the Bonds:

(a) Declare the unpaid portion of the principal and interest components of Installment Payments immediately due and payable without notice or demand to the County;

(b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of the Contract or to recover for the breach thereof; or

(c) Exercise or direct the Deed of Trust trustee to exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved under the Contract and the Deed of Trust including, without limitation, to the extent permitted by law, re-enter and take possession of the Mortgaged Property without any court order or other process of law and without liability for entering the premises and sell, lease, sublease or make other disposition of the same in a commercially reasonable manner for the account of the County, and apply the proceeds of any such sale, lease, sublease or other disposition, after deducting all costs and expenses, including court costs and attorneys' fees, costs and expenses incurred with the recovery, repair, storage and other sale, lease, sublease or other disposition, toward the balance due under the Contract and, thereafter, shall pay any remaining proceeds to the County.

NOTWITHSTANDING ANY OTHER PROVISIONS IN THE CONTRACT TO THE CONTRARY, IT IS THE INTENT OF THE PARTIES TO THE CONTRACT TO COMPLY WITH GENERAL STATUTES OF NORTH CAROLINA SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN VIOLATION OF SECTION 160A-20 INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT.

THE INDENTURE

Funds and Accounts. The Indenture provides for (1) the Bond Fund; (2) the Prepayment Fund; (3) the Rebate Fund; and (4) the Acquisition and Construction Fund, to be held in trust by the Trustee.

--*The Bond Fund.* There has been created and established with the Trustee a special fund to be designated "*County of Transylvania 2026 Installment Financing Contract Bond Fund*" (the "*Bond Fund*"), the money in which shall be used to pay the principal, premium, if any, and interest with respect to the Bonds. Within the Bond Fund are an Interest Account and a Principal Account, the money in each of which is to be used as set forth in the Indenture. A "*2026 Subaccount of the Interest Account*" has been created within the Interest Account of the Bond Fund. A "*2026 Subaccount of the Principal Account*" has been created within the Principal Account of the Bond Fund.

--*The Interest Account*. There shall be deposited into the Interest Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (2) investment earnings on the Bond Fund and the Prepayment Fund, as provided in the Indenture; (3) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default to the extent required to pay the next installment of interest or any previous installment of interest not paid; (4) all money required to be deposited therein in accordance with the Indenture; and (5) all other money received by the Trustee under the Indenture accompanied by written directions from the County that such money is to be deposited into the Interest Account of the Bond Fund. The Trustee shall credit all amounts deposited into the Interest Account of the Bond Fund, including the amounts set forth in the Contract, toward the interest component of the Installment Payment then due and payable under the Contract. The Trustee shall notify the County of all amounts credited toward such Installment Payments within 30 days of such credit.

--*The Principal Account*. There shall be deposited into the Principal Account of the Bond Fund (1) that portion of each payment of Installment Payments which is designated and paid as principal with respect to the Bonds under the Contract; (2) Net Proceeds from any lease of the Mortgaged Property, including after an Event of Default after the deposit described under the first paragraph of the caption "--*The Interest Account*" above; (3) all money required to be deposited therein in accordance with the Indenture; and (4) all other money received by the Trustee under the Indenture accompanied by written directions from the County that such money is to be deposited into the Principal Account of the Bond Fund.

--*Use of Money in Bond Fund.* Money in the Interest Account of the Bond Fund shall be used for the payment of the interest with respect to the Bonds as the same becomes due and payable. Money in the Principal Account of the Bond Fund shall be used for the payment of the principal with respect to the Bonds. Investment earnings on money on deposit in the Interest Account and Principal Account of the Bond Fund shall be applied to the next payment of Installment Payments with respect to the Bonds. If the Bonds are to be prepaid in whole pursuant to the Indenture, any money remaining in the Interest Account and the Principal Account of the Bond Fund shall be applied to such prepayment along with other money held by the Trustee for such purpose.

--*The Prepayment Fund.* There has been created and established with the Trustee a special fund to be designated the "*County of Transylvania 2026 Installment Financing Contract Prepayment Fund*" (the "*Prepayment Fund*"). A "*2026 Account*" has been created within the Prepayment Fund. The Trustee shall deposit into the Prepayment Fund any money provided by the County as a prepayment of Installment Payments. Money on deposit in the Prepayment Fund shall be disbursed for prepayment of the Bonds as provided in the Indenture. Any money held in the Prepayment Fund or any account thereof shall be invested and reinvested by the Trustee at the written direction of the County in accordance with the Indenture, and the income therefrom shall be retained in the Prepayment Fund or any account thereof and used (together with all other money held in the Prepayment Fund) as the County directs in writing. In the absence of such written direction, any income from investment of money in the Prepayment Fund shall be deposited into the Interest Account of the Bond Fund and applied to the interest component of the next payment of the Installment Payments. Whenever any money on deposit in the Prepayment Fund is disbursed for prepayment of less than all of the Outstanding Bonds, the Trustee shall recalculate the Installment Payments set forth in the Contract to reflect the reduction in the outstanding principal amount of the Bonds after such prepayment.

--*The Rebate Fund.* If the County informs the Trustee in writing that funds are to be set aside in a separate account of the Trustee to be held for the payment of rebate payments to the Federal Government pursuant to the terms of the Tax Certificate, the Trustee shall create and establish the "*County of Transylvania 2026 Installment Financing Contract Rebate Fund*" (the "*Rebate Fund*") and a "*2026 Account*" within the Rebate Fund. The Trustee shall deposit in the Rebate Fund the amounts as directed in writing by the County. The County shall make or cause to be made the calculation or calculations required by the Tax Certificate and shall direct the Trustee in writing to make deposits and disbursements from the Rebate Fund in accordance therewith. The Trustee shall invest the Rebate Fund as directed in writing by the County. The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate.

--*The Acquisition and Construction Fund.* There has been created and established with the Trustee a special fund to be designated "*County of Transylvania 2026 Installment Financing Contract Acquisition and Construction Fund*" (the "*Acquisition and Construction Fund*") and within the Acquisition and Construction Fund, a separate subaccount designated the "*2026 Account of the Acquisition and Construction Fund*" *(the "2026 Account").* The Trustee shall deposit in the 2026 Account the amount set forth in the Indenture. In addition, the Trustee shall deposit into the Acquisition and Construction Fund such amounts as the County may designate in a certificate signed by a County Representative in connection with the execution and delivery of Additional Bonds under the Indenture. Any money held in the Acquisition and Construction Fund or any account thereof shall be invested and reinvested by the Trustee at the written direction of the County in accordance with the Indenture, and the income therefrom shall be retained in the Acquisition and Construction Fund or any account thereof and used (together with all other money held in the Acquisition and Construction Fund) to pay the Cost of Acquisition and Construction attributable to the Projects and otherwise, as directed by the County in accordance with the Contract. The Trustee shall create additional accounts within the Acquisition and Construction Fund on the County's written direction.

Investment of Money. All money held as part of the Bond Fund, the Prepayment Fund, the Acquisition and Construction Fund or any other fund or account created under the Indenture or the Contract except the Rebate Fund will be deposited or invested and reinvested from time to time by the Trustee, at the written direction of the County as agent of the Corporation, in deposits or investments, which are certified by the County to be Permitted Investments subject to the following restrictions:

(a) Money in the Acquisition and Construction Fund shall be invested only in obligations which will by their terms mature not later than the date the County estimates, in a

writing provided to the Trustee, the money represented by the particular investment will be needed for withdrawal from the Acquisition and Construction Fund;

(b) Money in the Bond Fund shall be invested only in obligations which will by their terms mature on such dates as to ensure that on the date of each interest and principal payment, there will be in the Bond Fund from matured obligations and other money already in the Bond Fund, cash to pay the interest and principal payable on such payment date; and

(c) Money in the Prepayment Fund shall be invested in obligations which will by their terms mature, or will be subject to prepayment at the option of the owner thereof, on or before the date funds are expected to be required for expenditure or withdrawal.

The Rebate Fund shall be invested and reinvested by the Trustee, at the written direction of the County. The County acknowledges that all investment directions given to the Trustee are required to comply with the terms of the Tax Certificate, and the Trustee may rely upon any such direction as to such compliance.

If the County fails to provide the Trustee with written investment direction for any funds held by the Trustee under the Indenture, then the Trustee will hold such amounts uninvested in cash and without liability for interest. Any and all such deposits or investments shall be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank, trust company or financial institution under common control with the Trustee and may charge its ordinary and customary fees for such investments, as agreed to by the County. The Trustee is specifically authorized to enter into agreements with itself or any other person, which agreements guarantee the repurchase of specific Permitted Investments at specific prices. Except as expressly provided in the Indenture, deposits or investments, shall at all times be a part of the fund or account from which the money used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to, and losses thereon shall be charged against, such fund or account. In computing the amount in any fund or account held under the provisions of the Indenture, obligations purchased as a deposit or investment of money therein shall be valued at the market price thereof, exclusive of accrued interest. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in any fund or account created under the Indenture is insufficient to satisfy the purposes of such fund or account.

Additional Bonds. So long as the Contract remains in effect and no Event of Default has occurred and is continuing, Additional Bonds may be executed and delivered on the terms and conditions provided in the Indenture.

Additional Bonds may be delivered by the Trustee at the written direction of the Corporation to provide funds to pay: (1) the cost of expanding the Projects, acquiring, constructing, renovating and equipping other facilities or acquiring equipment and other capital assets for utilization by or on behalf of the County for public purposes; (2) the cost of refunding all or any portion of the Bonds then Outstanding or any other financing obligations of the County; and (3) the Costs of Issuance relating to the execution, delivery and sale of the Additional Bonds.

Additional Bonds may be executed and delivered only on there being filed with the Trustee:

(a) Originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of the Indenture and approved by the LGC, if so required by law, including requirements regarding approval of the Owners, if applicable, expressly providing that the Additional Bonds being executed and delivered as well as any Bonds

and Additional Bonds theretofore executed and delivered will be secured on a parity as provided in the Indenture, except that the date or dates of the Additional Bonds, the rate or rates of interest with respect to the Additional Bonds, the time or times of payment of interest with respect thereto and the principal amount thereof, and provisions for the prepayment thereof, if any, all will be as provided in the supplemental indenture and amendment to the Contract, and further providing for an increase in the Purchase Price and the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as will be necessary to pay (assuming that no Event of Default will occur), the principal, premium, if any, and interest with respect to the Additional Bonds.

(b) A written opinion or opinions of nationally recognized bond counsel and mutually acceptable to the County and the Corporation, to the effect that the amendment to the Contract and the execution and delivery of the Additional Bonds have been duly authorized, that the amendment to the Contract is valid and enforceable against the County and, to the extent applicable, that the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the execution and delivery of the Additional Bonds, and that the execution, sale, and delivery of the Additional Bonds will not constitute a default under the Contract or the Indenture or cause any violation of the covenants, agreements or representations under the Contract or the Indenture.

(c) A written order to the Trustee to deliver the Additional Bonds to the purchaser or purchasers therein identified on payment to the Trustee of a specified sum plus accrued interest, if any.

Each of the Additional Bonds executed and delivered pursuant to the Indenture will evidence a proportionate undivided interest in rights to receive certain Revenues under the Contract, as amended, proportionately and ratably secured with the 2026 Bonds and all other Additional Bonds, if any, executed and delivered pursuant to the Indenture, without preference, priority or distinction of any 2026 Bonds or Additional Bond over any other.

Supplemental Indentures.

--*Consent of Owners Not Required.* The Trustee and the Corporation may, with the written consent of the County, but without the consent of, or notice to, the Owners, enter into such indentures supplemental to the Indenture for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements to be thereafter observed by the Corporation or to surrender any rights or powers reserved to or conferred upon the Corporation in the Indenture which are not contrary to or inconsistent with the Indenture as then in effect;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Indenture, or to make any provisions with respect to matters arising under the Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners;

(c) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee which are not contrary to or inconsistent with the Indenture as then in effect or to subject to the pledge and lien of the Indenture, additional revenues, properties, or collateral;

(d) To modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute thereafter in effect;

(e) To make any other change to the Indenture that is determined by the Trustee to be not materially adverse to the interests of the Owners and which does not involve a change requiring consents of specific Owners; or

(f) To execute and deliver Additional Bonds as provided in the Indenture.

--*Consent of Owners Required.* Exclusive of supplemental indentures covered under the caption "--*Consent of Owners Not Required*" above, the written consent of the County and the LGC and the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding is required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental to the Indenture; provided, however, that (1) if such supplemental indenture will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture, and (2) without the consent of the LGC and the Owners of all the Bonds at the time Outstanding affected thereby nothing contained in the Indenture will permit, or be construed as permitting:

(a) A change in the terms of prepayment or maturity of the principal amount of or the interest with respect to any Outstanding Bond, or a reduction in the principal amount of or premium payable on any prepayment of any Outstanding Bond or the rate of interest with respect thereto;

(b) The deprivation of the Owner of any Bond then Outstanding of the lien created by the Indenture (other than as originally permitted thereby);

(c) A privilege or priority of any Bond or Bonds over any other Bond or Bonds; or

(d) A reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

If at any time the County or the Corporation requests in writing that the Trustee enter into such supplemental indenture for any of the purposes described above, the Trustee will, on being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by first class mail to the Owners of the Bonds then Outstanding at the address shown on the registration books maintained by the Trustee (or by such other method as permitted by the Owners). Such notice will be prepared by the County or the Corporation, will briefly set forth the nature of the proposed supplemental indenture and will state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Owners. If, within 60 days or such longer period as is prescribed by the County following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture have consented to and approved the execution thereof as provided in the Indenture, no Owner will have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

The consent by the purchaser of a series of Additional Bonds constitutes the consent of the Owners of that series of Additional Bonds.

Any consent or request by the Owners of any Bond is conclusive and binding on such Owner and on all future Owners of the Bonds and of any Bonds executed and delivered on the transfer of any Bond, whether or not notation of such consent or request is made on the Bond.

--*Consent of Initial Purchaser, Underwriter or Remarketing Agent.* Notwithstanding anything in the Indenture to the contrary, (1) any initial purchaser, underwriter or remarketing agent holding any Bonds may, regardless of its intent to sell or distribute such Bonds in the future, consent as the Owner of such Bonds to any amendment or supplemental indenture as required by the Indenture, including any amendment or supplemental indenture that adversely affects the interests of other Owners and (2) any such holder providing its consent will not be entitled to receive, nor will the County be required to provide, any prior notice or other documentation regarding such amendment or supplemental indenture.

Exclusion of Bonds Held By or For the County and the Corporation. In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Bonds owned by the County and the Corporation will be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee is protected in relying on any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee actually knows to be so owned will be disregarded.

Events of Default. Any of the following events are defined as and shall be deemed an "*Event of Default*" under the Indenture:

(a) Default in the payment of the principal or premium, if any, with respect to any Bond when the same becomes due and payable, whether at the stated maturity thereof or as a sinking fund prepayment or on proceedings for prepayment for which notice of such prepayment was not a conditional notice.

(b) Default in the payment of any installment of interest with respect to any Bond when the same becomes due and payable.

(c) The occurrence of an "*Event of Default*" under the Contract.

Remedies on Default.

(a) On the occurrence and continuance of an Event of Default, the Trustee may, and shall, if required in writing by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the County, declare the obligations of the County as to the principal and interest components of Installment Payments and the aggregate principal amount of the Bonds and the accrued interest with respect thereto to be immediately due and payable, whereupon they will, without further action, become due and payable.

(b) The provisions of the preceding paragraph are subject to the condition that if, after the principal with respect to any of the Installment Payments and the Bonds has been so declared to be due and payable, and before the earlier of (1) the exercise of rights granted under the Deed of Trust or (2) to the extent permitted by applicable law and the Indenture, any judgment or decree for the payment of the money due has been obtained or entered as provided in the Indenture, the defaulting party (the "*Defaulting Party*") shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal and interest with respect to all Bonds which have become due otherwise than by reason of such declaration

(with interest on such overdue installments of principal and interest, to the extent permitted by law, at the rate or rates per annum borne by the Bonds) and such amount as is sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default under the Indenture other than nonpayment of the principal or interest with respect to the Bonds which have become due by said declaration have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of the first paragraph under this caption are further subject to the condition that any waiver of any event of default under the Contract and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under the Indenture and a rescission and annulment of the consequences thereof. If notice of such event of default under the Contract has been given as provided in the Indenture, the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Defaulting Party and shall give notice thereof by first class mail to all Owners; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) On the occurrence and continuance of any Event of Default and on the written direction of Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding and receipt of indemnity to the Trustee's satisfaction, the Trustee shall, to the extent permitted by the Indenture and applicable law, in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the Defaulting Party to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Contract and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Contract or the Indenture, as the case may be;

(2) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the Defaulting Party or the Mortgaged Property held as security therefor, including exercising its rights under the Deed of Trust.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute. If any Event of Default has occurred and if requested in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee is obligated to exercise, to the extent permitted by applicable law and subject to the Indenture, such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners. When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Application of Money. All money received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture (other than amounts in the Rebate Fund) after an Event of Default shall, after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the outstanding fees of the Trustee and the costs, expenses, liabilities and advances incurred

or made by the Trustee, including the reasonable fees, costs, and expenses of its agents and counsel, be deposited in the Bond Fund and applied as follows:

(a) Unless the principal with respect to all of the Bonds has become or has been declared due and payable, all such money shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due with respect to the Bonds, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal and premium, if any, with respect to any of the Bonds which have become due (other than Bonds matured or called for prepayment for the payment of which money is held pursuant to the provisions of the Indenture), in the order of their due dates and beginning with the earliest due date, and, if the amount available is not sufficient to pay in full the principal of such Bonds due on any particular date, then to the payment, ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto of interest on overdue installments of principal, premium, if any, and interest, to the extent permitted by law, and if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such particular installment, to the persons entitled thereto, without any discrimination or privilege; and

FOURTH - To be held for the payment to the persons entitled thereto, as the same become due, of the principal, premium, if any, and interest with respect to the Bonds which may thereafter become due in accordance with the terms of the Indenture.

(b) If the principal with respect to all of the Bonds has become due or has been declared due and payable, all such money shall be applied to the payment of the principal and interest then due and unpaid with respect to the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without any discrimination or privilege, with interest on overdue installments of interest or principal, to the extent permitted by law.

Whenever money is to be applied pursuant to the provisions described above, such money shall be applied at such times, and from time to time, as the Trustee determines, having due regard to the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee applies such funds, it shall fix the date (which shall be an Interest Payment Date unless it deems another date more suitable) on which such application is to be made and on such date interest with respect to the amounts of principal to be paid on such dates, and for which money is available, shall cease to accrue. The Trustee shall also select a new record date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such record date and payment date, and shall not be required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal, premium, if any, and interest with respect to all of the Bonds have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the County.

Defeasance. If, when the Bonds secured by the Indenture become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal, premium, if any, and interest due and payable with respect to all of the Bonds shall be paid or provision has been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the Corporation to the Trustee and the Owners shall then cease, terminate and become void and be discharged and satisfied. In such event, on the written request of the County, the Trustee shall transfer and convey to the County all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture, and the Trustee shall execute such documents as may be reasonably required by the County and shall turn over to the County any surplus in any fund created under the Indenture other than the Rebate Fund and unclaimed funds set aside pursuant to the Indenture.

Outstanding Bonds shall, before the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in the above paragraph if (a) in case said Bonds are to be prepaid on any date before their maturity, the County has given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date, in accordance with the provisions of the Indenture, notice of prepayment of such Bonds on said prepayment date, (b) there has been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide money which, together with the money, if any, deposited with or held by the Trustee at the same time, sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to said Bonds on and before the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to prepayment within the next 60 days, the County has given the Trustee in form satisfactory to it (1) irrevocable instructions to give, as soon as practicable in the same manner as the notice of prepayment is given pursuant to the Indenture, a notice to the Owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or prepayment date on which money is to be available for the payment of the principal, premium, if any, and interest with respect to said Bonds, (2) verification from an independent accountant or other nationally recognized expert selected by the County that the money or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal, premium, if any, and interest due and to become due with respect to the Bonds on and before the prepayment date or maturity date thereof, and (3) an opinion of nationally recognized bond counsel selected by the County that said Bonds are no longer Outstanding under the Indenture and are no longer entitled to any benefit, lien or security under the Indenture. Neither the Federal Securities nor money deposited with the Trustee pursuant to the Indenture or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and such Federal Securities or money shall be held in trust for, the payment of the principal, premium, if any, and interest with respect to said Bonds; provided any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other money or Federal Securities then held by the Trustee as described above) to pay when due the principal, premium, if any, and interest to become due with respect to said Bonds on or before such prepayment date or maturity date thereof, as the case may be. At such time as any Bonds shall be deemed paid as aforesaid, such Bonds shall no longer be secured by or entitled to the benefits of the Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such money or Federal Securities deposited with the Trustee.

The release of the obligations of the Corporation described in the preceding paragraph is without prejudice to the rights of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust created by the Indenture and the performance of its powers and duties under the Indenture.

THE DEED OF TRUST

Deed of Trust and Security Interest. To secure (1) the obligations of the County to make the Installment Payments and (2) the payment and performance of all the other liabilities and obligations, whether now existing or hereafter arising, of the County to the Corporation under the Contract and the Deed of Trust (collectively, the "*Indebtedness*"), the County has granted and conveyed to the Deed of Trust Trustee for the benefit of the Beneficiary, its successors and assigns all right, title and interest that the County now has or may hereafter acquire in the Mortgaged Property as more fully described in the Deed of Trust.

County's Continuing Obligation. The County will remain liable for full payment and performance, as the case may be, of all obligations secured by the Deed of Trust, notwithstanding the occurrence of any event or circumstance whatsoever. However, no deficiency judgment may be rendered against the County in favor of the Beneficiary in violation of Section 160A-20 of the North Carolina General Statutes, including, without limitation, any deficiency judgment for amounts that may be owed under the Contract or the Deed of Trust when the sale of all or any portion of the Mortgaged Property is insufficient to produce enough money to pay in full all remaining obligations under the Contract or the Deed of Trust.

Release of Mortgaged Property. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the Deed of Trust Trustee must release the Mortgaged Property or any part thereof from the lien and security interest of the Deed of Trust when and if the following requirements have been fulfilled:

(a) In connection with any release of the Mortgaged Property, or any part thereof, there shall be filed with the Beneficiary a certified copy of the resolution of the Board stating the purpose for which the County desires such release of the Mortgaged Property, giving an adequate legal description of the part of the Mortgaged Property to be released, requesting such release and providing for the payment by the County of all expenses in connection with such release.

(b) In connection with the release of any part of the Mortgaged Property constituting less than the entire Mortgaged Property, any of the following: (1) the tax, insured or appraised value of the Mortgaged Property remaining after the proposed release is not less than 25% of the aggregate principal component of the Installment Payments related to the Bonds then Outstanding under the Indenture; (2) the County (i) provides for the substitution of other real property therefor and the tax, insured or appraised value of the Mortgaged Property remaining after the proposed substitution is not less than the replacement value of the Mortgaged Property (as determined above) immediately before the proposed substitution, (ii) delivers to the Deed of Trust Trustee and the Corporation, or its assignee, an opinion of Bond Counsel to the effect that the substitution (A) is permitted by law and under the Deed of Trust and (B) will not adversely affect the tax treatment of any Outstanding Bonds, and (iii) records a modification to the Deed of Trust reflecting such substitution of the Mortgaged Property; or (3) the County delivers to the Beneficiary evidence that the release of such portion of the Mortgaged Property will not, in and of itself, result in the withdrawal, suspension, or reduction of the rating then assigned to such Outstanding Bonds from each nationally recognized rating agency then maintaining a rating on any Outstanding Bonds.

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

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

Grant and Release of Easements. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the County may at any time or times grant easements, licenses, rights of way and other rights and privileges in the nature of easements with respect to any part of the Mortgaged Property and the County may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (a) a copy of the instrument of grant or release, (b) a written request of the County requesting such instrument and (c) a certificate executed by the County that the grant or release is not detrimental to the proper conduct of the operations of the County at the Mortgaged Property and will not impair the effective use, nor materially decrease the value, of the Mortgaged Property.

Release of Fixtures. Notwithstanding any other provisions of the Deed of Trust, at any time so long as there is no Event of Default, the County may at any time or times release Fixtures (as defined in the Deed of Trust) constituting a part of the Mortgaged Property from the security interest created by the Deed of Trust with or without consideration. The Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to release any such Fixture but only upon receipt of (a) a copy of the instrument of release, (b) a written request of the County requesting such instrument and (c) a certificate executed by the County that the release is not detrimental to the proper conduct of the operations of the County at the Mortgaged Property and will not impair the effective use, nor materially decrease the value, of the Mortgaged Property.

Amendments. See "THE CONTRACT—*Amendments and Modifications*" above.

Events of Default. The term "*Event of Default*" as used in the Deed of Trust, shall mean any one or more of the following events:

(a) The occurrence of any "*Event of Default*" under the Contract; or

(b) Failure by the County to perform or observe any term, condition or covenant of the Deed of Trust on its part to be observed or performed, other than as referred to in (a) above, or breach of any warranty by the County therein contained, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Deed of Trust Trustee or the Beneficiary unless the Deed of Trust Trustee or the Beneficiary agrees in writing to an extension of such time before its expiration; provided, however, that if the failure cannot be corrected within the stated period, the Deed of Trust Trustee or the Beneficiary will not unreasonably withhold consent for an extension.

Acceleration on Default; Additional Remedies. If an Event of Default has occurred and is continuing, the Beneficiary shall, at the written direction of a majority in aggregate principal amount of the Owners of the Outstanding Bonds, declare all Indebtedness to be due and payable and the same shall

thereupon become due and payable in accordance with the Contract and the Deed of Trust without any presentment, demand, protest or notice of any kind. Thereafter, the Beneficiary may, to the extent permitted by applicable law and subject to the Contract:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Mortgaged Property, or any part thereof, in its own name or in the name of the Deed of Trust Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Mortgaged Property, or part thereof or interest therein, increase the income therefrom or protect the security thereof, and, with or without taking possession of the Mortgaged Property, sue for or otherwise collect the rents and issues thereof, including those rents and issues past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorney's fees, upon any Indebtedness, all in such order as the Beneficiary may determine. The entering upon and taking possession of the Mortgaged Property, the collection of such rents and issues and the application thereof as aforesaid, shall not cure or waive any Event of Default or notice of Event of Default under the Deed of Trust or invalidate any act done in response to such Default or pursuant to such notice of Default and notwithstanding the continuance in possession of the Mortgaged Property or the collection, receipt and application of rents and issues, the Deed of Trust Trustee or the Beneficiary, to the extent permitted by applicable law and subject to the Contract, shall be entitled to exercise every right provided for in any instrument securing or relating to the Indebtedness or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

(b) Commence an action to foreclose the Deed of Trust as a mortgage, specially enforce any of the covenants of the Deed of Trust, or cause the Deed of Trust Trustee to foreclose the Deed of Trust by power of sale; and

(c) To the extent permitted by applicable law and subject to the Contract, exercise any or all of the remedies available to a secured party under the Uniform Commercial Code of North Carolina or under any other applicable laws.

NOTWITHSTANDING ANY PROVISIONS CONTAINED IN THE DEED OF TRUST, IT IS THE INTENT OF THE PARTIES TO COMPLY WITH THE PROVISIONS OF NORTH CAROLINA GENERAL STATUTES SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN FAVOR OF THE BENEFICIARY IN VIOLATION OF SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THE DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE MORTGAGED PROPERTY IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THE DEED OF TRUST. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THE DEED OF TRUST, NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THE DEED OF TRUST AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEY DUE OR SECURED UNDER THE DEED OF TRUST.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Parker Poe Adams & Bernstein LLP]

December ___, 2026

County of Transylvania, North Carolina
Brevard, North Carolina

Land of Waterfalls Financing Corporation
Brevard, North Carolina

U.S. Bank Trust Company, National Association
Charlotte, North Carolina

$_____
Limited Obligation Bonds
(County of Transylvania, North Carolina), Series 2026
Evidencing Proportionate Undivided Interests in Rights to
Receive Certain Revenues Pursuant to an Installment Financing Contract
between the Land of Waterfalls Financing Corporation and
the County of Transylvania, North Carolina

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the execution and delivery of the $_____Limited Obligation Bonds (County of Transylvania, North Carolina), Series 2026 (the "*2026 Bonds*"), evidencing proportionate undivided interests in rights to receive certain Revenues pursuant to an Installment Financing Contract dated as of December 1, 2026 (the "*Contract*") between the Land of Waterfalls Financing Corporation, a nonprofit corporation organized and existing under the Constitution and laws of the State of North Carolina (the "*Corporation*"), and the County of Transylvania, North Carolina (the "*County*").

The 2026 Bonds are being executed and delivered pursuant to an Indenture of Trust dated as of December 1, 2026 (the "*Indenture*") between the Corporation and U.S. Bank Trust Company, National Association, as trustee (the "*Trustee*"). To secure its obligations under the Contract, the County has executed and delivered a Deed of Trust, Security Agreement and Fixture Filing dated as of December 1, 2026 (the "*Deed of Trust*") from the County to the deed of trust trustee named therein. The Corporation has assigned to the Trustee pursuant to the Indenture all of its rights, title and interest in and to the Contract, including the right to receive Installment Payments, but excluding certain reserved rights described in the Indenture, and the Deed of Trust. Each capitalized term used but not defined herein has the meaning given to such term in the Contract and the Indenture, as applicable.

The proceeds of the 2026 Bonds will be disbursed by the Trustee to (1) finance the acquisition, construction and equipping of County judicial facilities, including, but not limited to, a new courthouse building, together with related site development and appurtenant improvements thereto, and (2) pay financing costs related to the 2026 Bonds. The County has agreed under the Contract to pay its Installment Payments required thereunder directly to the Trustee.

In our capacity as Bond Counsel, we have examined executed copies of the Indenture, the Deed of Trust, the Contract, a specimen of the 2026 Bonds and such law and certified proceedings, instruments, opinions and other documents as we have deemed necessary to render the opinions hereinafter expressed. As to questions of fact material to the opinions hereinafter expressed, we have relied on representations of the Corporation and the County contained in the Contract and the related documents thereto, the certified proceedings and other certifications of public officials and others furnished to us, including certifications furnished to us by or on behalf of the Corporation and the County, without undertaking to verify the same by independent investigation. We have also relied on the opinion of William Bulfer, Esq., County Attorney, dated the date hereof, with respect to the County's due authorization, execution and delivery of the Contract and other matters set forth therein. We have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings that we have examined that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents, opinions and proceedings.

On the basis of the foregoing, we are of the opinion, under existing law, that:

1. The Indenture has been duly authorized, executed and delivered by the Corporation and is a valid, binding and enforceable obligation of the Corporation and, assuming the due authorization, execution and delivery by the Trustee, creates a valid lien on the Revenues in favor of the Trustee for the benefit of the Owners of the 2026 Bonds.

2. The Contract has been duly authorized, executed and delivered by the County and the Corporation and is a valid, binding and enforceable obligation of the County and the Corporation.

3. The 2026 Bonds have been duly authorized, executed and delivered for the purposes described above. The 2026 Bonds evidence valid and legally binding proportionate undivided interests in the Revenues pursuant to the Contract, enforceable in accordance with their terms. The 2026 Bonds are entitled to the benefits and security of the Indenture for the payment thereof from certain amounts to be paid under the Contract in accordance with the terms of the Indenture and the Contract.

4. The portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax; provided, however, such portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "*Code*")) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the County and the Corporation comply with all requirements of the Code that must be satisfied subsequent to the execution and delivery of the 2026 Bonds in order that the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds be,

or continue to be, excludable from gross income for federal income tax purposes. The County and the Corporation have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the portion of the Installment Payments designated and paid as interest with respect to the 2026 Bonds to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the 2026 Bonds. We express no opinion regarding other federal tax consequences related to the ownership of, or the receipt, accrual or amount of interest with respect to the 2026 Bonds.

5. The portion of the Installment Payments designated and paid as interest under the Contract with respect to the 2026 Bonds is exempt from State of North Carolina income taxation.

The rights of the Owners of the 2026 Bonds and the enforceability of the Indenture, the Contract and the 2026 Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as Bond Counsel in connection with the execution and delivery of the 2026 Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026 Bonds and the tax status of interest with respect thereto. We express no opinion relating to the accuracy, completeness or sufficiency of the Preliminary Official Statement or the Official Statement (collectively, the "*Official Statement*"), or any other offering material relating to the 2026 Bonds (excepting only the matters set forth as our opinion in the Official Statement and the section entitled **"TAX TREATMENT"**) or as to the financial resources of the County or the ability of the County to make the payments required under the Contract, that may have been relied on by anyone in making the decision to purchase the 2026 Bonds.

This opinion is delivered to you and for your benefit in connection with the above transaction; it may not be relied on by you for any other purposes and may not be relied on by, nor may copies be provided to, any other person, firm, corporation or other entity without our prior written consent.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

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APPENDIX E

DTC'S BOOK-ENTRY ONLY SYSTEM

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

Beneficial ownership interests in the 2026 Bonds will be available only in a book-entry system. The actual purchasers of the 2026 Bonds (the "Beneficial Owners") will not receive physical bonds representing their interests in the 2026 Bonds purchased. So long as The Depository Trust Company ("DTC"), Jersey City, New Jersey, or its nominee is the registered owner of the 2026 Bonds, references in this Official Statement to the Owners of the 2026 Bonds shall mean DTC or its nominee and shall not mean the Beneficial Owners.

The following description of DTC, of procedures and record keeping on beneficial ownership interests in the 2026 Bonds, payment of interest and other payments with respect to the 2026 Bonds to DTC Participants or to beneficial owners, confirmation and transfer of beneficial ownership interests in the 2026 Bonds, and or other transactions by and between DTC, DTC Participants and beneficial owners is based on information furnished by DTC.

The Depository Trust Company
a subsidiary of The Depository Trust & Clearing Corporation

DTC will act as securities depository for the 2026 Bonds. The 2026 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for each maturity will be issued for the 2026 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of the 2026 Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2026 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Bonds on DTC's records. The ownership interest of each actual purchaser of the 2026 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the

transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in the 2026 Bonds, except in the event that use of the book-entry system for the 2026 Bonds is discontinued.

To facilitate subsequent transfers, all 2026 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 2026 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2026 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Bonds, such as prepayments, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the 2026 Bonds may wish to ascertain that the nominee holding the 2026 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the 2026 Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2026 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2026 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments with respect to the 2026 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee, the County and/or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the Trustee's responsibility, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants. NEITHER THE COUNTY NOR THE CORPORATION CAN GIVE ANY ASSURANCE THAT DIRECT AND INDIRECT PARTICIPANTS WILL PROMPTLY TRANSFER PAYMENTS TO BENEFICIAL OWNERS.

DTC may discontinue providing its services as depository with respect to the 2026 Bonds at any time by giving reasonable notice to the Trustee or the Corporation. Under such circumstances, in the event that a successor depository is not obtained, physical bond certificates are required to be printed and delivered.

The Trustee or the Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

THE COUNTY, THE CORPORATION AND THE TRUSTEE HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT, OR THE MAINTENANCE OF ANY RECORDS; (2) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE 2026 BONDS, OR THE SENDING OF ANY TRANSACTION STATEMENTS; (3) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS ON ANY PARTIAL PREPAYMENT OF THE 2026 BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE 2026 BONDS, INCLUDING ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

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TRANSYLVANIA COUNTY, N.C.
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