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Ratings:
Moody's: Aaa
S&P: AAA
Kroll: AAA
(See "Ratings" herein)

PRELIMINARY OFFICIAL STATEMENT DATED MAY 3, 2024

NEW ISSUE—Book-Entry Only

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

County of Buncombe, North Carolina
\$15,025,000*
Taxable General Obligation Housing Bonds
Series 2024

Dated: Date of Delivery	Due: As shown on inside cover page
<i>Tax Treatment</i>	In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, the interest on the Bonds is (1) taxable as ordinary income for federal income tax purposes, and (2) exempt from State of North Carolina income taxation. See "TAX TREATMENT" herein.
<i>Redemption</i>	The Bonds are subject to optional redemption prior to maturity as described herein.
<i>Security</i>	The Bonds constitute general obligations of the County, secured by a pledge of the faith and credit and taxing power of the County.
<i>Interest Payment Dates</i>	June 1 and December 1, commencing December 1, 2024.
<i>Denominations</i>	\$5,000 or any integral multiple thereof
<i>Expected Closing/Settlement</i>	June 5, 2024
<i>Bond Counsel</i>	Parker Poe Adams & Bernstein LLP
<i>Financial Advisor</i>	Davenport & Company LLC, Charlotte, North Carolina
<i>Sale Date</i>	May 14, 2024
<i>Sale of Bonds</i>	Pursuant to sealed bids in accordance with the Notice of Sale.

The date of this Official Statement is May __, 2024.

*Preliminary, subject to change.

MATURITY SCHEDULE

\$15,025,000*

**County of Buncombe, North Carolina
Taxable General Obligation Housing Bonds, Series 2024**

Due June 1 of the Year Indicated

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield¹</u>	<u>CUSIP+</u>
2025	\$755,000	%	%	
2026	755,000			
2027	755,000			
2028	755,000			
2029	755,000			
2030	750,000			
2031	750,000			
2032	750,000			
2033	750,000			
2034	750,000			
2035	750,000			
2036	750,000			
2037	750,000			
2038	750,000			
2039	750,000			
2040	750,000			
2041	750,000			
2042	750,000			
2043	750,000			
2044	750,000			

*Preliminary, subject to change.

¹Information obtained from underwriters.

+ 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 ©2024 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the County and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

COUNTY OF BUNCOMBE, NORTH CAROLINA



BOARD OF COMMISSIONERS

Brownie NewmanChair
Parker Sloan Vice-Chair

Al Whitesides

Terri Wells

Jasmine Beach-Ferrara

Martin Moore

Amanda Edwards



COUNTY STAFF

Avril Pinder..... County Manager
Melissa Moore Finance Director
Michael Frue Senior Staff Attorney

FINANCIAL ADVISOR

Davenport & Company LLC
Charlotte, North Carolina



BOND COUNSEL

Parker Poe Adams & Bernstein LLP
Raleigh, North Carolina

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LOCAL GOVERNMENT COMMISSION
STATE AND LOCAL GOVERNMENT FINANCE DIVISION

INTRODUCTION

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the public invitation for bids for the purchase of \$15,025,000* Taxable General Obligation Housing Bonds, Series 2024 (the “Bonds”), of the County of Buncombe, North Carolina (the “County”).

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

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

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available to the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of Rule 15c2-12, the County has undertaken certain continuing disclosure obligations in a resolution passed by the Board of Commissioners for the County on April 16, 2024 (the “Resolution”). See the caption “Continuing Disclosure” herein.

THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

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

*Preliminary, subject to change.

THE BONDS

Description

The Bonds will be dated as of their date of delivery, and will bear interest from their date. Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2024, at the interest rates set forth on the inside cover of this Official Statement. The Bonds will mature, subject to prior redemption, on June 1 in the years and amounts set forth on the inside cover page of this Official Statement. Debt service will be payable to the owners of the Bonds shown on the records of the bond registrar on the record date, which shall be the 15th day (whether or not a business day) next preceding such debt service payment date.

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

Redemption Provisions

The Bonds maturing on and after June 1, 2035 are subject to redemption prior to maturity, at the option of the County, from any moneys that may be made available for such purpose, either in whole or in part on any date on or after June 1, 2034, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000 and, further, that so long as a book-entry system with DTC is used for determining beneficial ownership of the Bonds, DTC shall determine by lot the amount of interest of each Direct Participant (as defined in **Appendix G** hereto) in the Bonds to be redeemed. If less than all of the Bonds stated to mature on different dates are called for redemption, the County shall direct which maturities of the Bonds are to be redeemed.

Not more than sixty (60) days nor less than thirty (30) days before the redemption date of any Bonds to be redeemed, whether the redemption be in whole or in part, the County shall cause a notice of redemption to be mailed, postage prepaid, to the registered owner of each Bond to be redeemed in whole or in part to his or her address appearing on the registration books of the County, provided that such notice to Cede & Co. shall be given by certified or registered mail or otherwise as prescribed by DTC. Failure to mail such notice or any defect therein shall not affect the validity of the redemption with regard to registered owners to whom such notice was properly given.

Notice of redemption shall be given by certified or registered mail to Cede & Co., DTC’s partnership nominee, as the registered owner of the Bonds or by such other means as DTC shall require. Such notice shall be given not more than 60 days nor less than the 30 days prior to the date fixed for redemption. The County will not be responsible for giving notice of redemption to anyone other than Cede & Co.

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

On the date fixed for redemption, notice having been given as hereinabove provided, the Bonds or portions thereof called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date. If moneys sufficient to pay the redemption price of the Bonds or portions thereof to be redeemed plus accrued interest thereon to the date fixed for redemption have been deposited by the County to be held in trust for the registered owners of the Bonds or portions thereof called for redemption, such Bonds or portions thereof shall cease to be entitled to any benefits or security under the Resolution or to be deemed outstanding, and the registered owners of such Bonds or portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to the date of redemption, and, if a portion of a Bond shall have been selected for redemption, a new Bond or Bonds of the same maturity, of any authorized denomination or denominations and bearing interest at the same rate for the unredeemed portion of the principal amount of such Bond.

Authorization and Purpose

The Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, the bond order duly adopted by the Board of Commissioners for the County on June 7, 2022, which order was approved by the vote of a majority of the qualified voters of the County who voted thereon at a referendum duly called and held on November 8, 2022, and the Resolution. The Bonds are being issued for the purpose of paying (a) the capital costs of housing for the benefit of persons of low or moderate income, including construction of related infrastructure improvements and the acquisition of related land and rights-of-way and (b) the costs of issuance of the bonds offered herein.

Security

The County is authorized and required by law to levy on all property taxable by the County such ad valorem taxes, without limitation as to rate or amount, as may be necessary to pay the Bonds and the interest thereon.

Bankruptcy

Chapter 9 of Title 11 of the United States Code (as amended, the “Bankruptcy Code”) provides a process for a political subdivision of a state to voluntarily adjust its debts. An involuntary bankruptcy case may not be commenced against a political subdivision under Chapter 9. Section 109(c) of the Bankruptcy Code sets forth certain conditions that must be met for an entity to be a debtor under Chapter 9, including that the entity is specifically authorized to be a debtor under Chapter 9 by state law (or by a governmental officer or organization empowered by state law to authorize the entity to be a debtor under Chapter 9). Section 23-48 of the North Carolina General Statutes (the “NC Authorizing Statute”) authorizes any county or city in the State of North Carolina to file a Chapter 9 bankruptcy case, but only with the approval of the Commission. While the Bonds are outstanding, the provisions of the Bankruptcy Code and applicable North Carolina law, including the NC Authorizing Statute, may be amended, supplemented or repealed; therefore, it is not possible to predict whether and under what conditions the County may be authorized to become a debtor in a bankruptcy case and how any such bankruptcy case might affect holders of the Bonds in the future.

If the County were to initiate bankruptcy proceedings under Chapter 9 with the consent of the Commission, the bankruptcy proceedings could have material and adverse effects on the owners of the Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (2) the incurrence of additional debt, including the claims of those supplying good and services to the County after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the County’s debt without the consent of all of the bondholders, which plan may restructure, delay, compromise or reduce the amount of the

claim of the bondholders. The effect of the provisions of the Bankruptcy Code on the rights and remedies of the bondholders cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity and considerations of public policy.

Regardless of any specific adverse determinations in a bankruptcy case of the County, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Bonds.

THE COUNTY

Information about the County can be found in **Appendix A** hereto.

CONTINUING DISCLOSURE

In the Resolution, the County has undertaken, for the benefit of the beneficial owners of the Bonds, to provide to the Municipal Securities Rulemaking Board (the “MSRB”):

- (a) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2024, audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven months from the end of such fiscal year, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2024, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the headings “Debt Information” and “Tax Information” in **Appendix A** to this Official Statement (excluding any information on overlapping or underlying units) and (ii) the combined budget of the County for the current fiscal year, to the extent such items are not included in the financial statements referred to in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the 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 any 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 Bonds, or other material events affecting the tax status of the Bonds;
 - (7) modification to the rights of the beneficial owners of the Bonds, if material;
 - (8) call of any of the Bonds, if material, and tender offers;
 - (9) defeasances of any of the Bonds;

- (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the County;
 - (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) the appointment of a successor or additional trustee, or the change of name of a trustee, if material;
 - (15) incurrence of a financial obligation (as defined below) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect beneficial owners of the Bonds, if material; and
 - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the County, any of which reflect financial difficulties; and
- (d) in a timely manner, notice of a failure of the County to provide required annual financial information described in (a) or (b) above on or before the date specified.

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

For purposes of the preceding paragraphs (15) and (16), the term “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). 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 may discharge its undertaking described above by transmitting the documents referred to above to an entity and by any method authorized by the United States Securities and Exchange Commission.

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

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

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

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interest of the beneficial owners, as determined either by parties unaffiliated with the County (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Bonds then outstanding pursuant to the terms of the Resolution, as it may be amended from time to time, at the time of the amendment.

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

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

For each of the previous five years, the County has, to the best of its knowledge, complied, in all material respects, with its existing continuing disclosure undertakings made pursuant to the requirements of Rule 15c2-12.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as **Appendix E**.

RATINGS

Moody's Investors Service, S&P Global Ratings, and Kroll Bond Rating Agency, LLC have given the Bonds ratings of Aaa, AAA and AAA, respectively. Those ratings reflect only the respective views of such organizations, and an explanation of the significance of each such rating may be obtained only from the respective organization providing such rating. Certain information and materials not included in the Official Statement were furnished to such organizations. There is no assurance that such ratings will remain in effect for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

TAX TREATMENT

General

On the date of issuance of the Bonds, Bond Counsel will render an opinion that, under existing law, the interest on the Bonds is taxable as ordinary income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other federal or state income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers of Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold Bonds as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser. Accordingly, prospective purchasers of the Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the Bonds in their own particular circumstances. Such summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Internal Revenue Service ("IRS") and no assurance can be given that the IRS will not take contrary positions and will not prevail with such positions.

Prospective purchasers of the Bonds should be aware that the acquisition, ownership or disposition of, and the accrual or receipt of interest on, the Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers of the Bonds, particularly prospective purchasers that are dealers in securities or currencies, traders in securities, persons holding Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the Bonds for federal income tax reporting purposes.

Tax Classification of Bonds

Bond Counsel is of the opinion that, under existing law, the Bonds will be treated for federal income tax purposes as indebtedness, and interest paid on the Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

Market Discount

The resale of any Bond by any owner of such Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such Bond as ordinary income to the extent of any "accrued market discount" on such Bond which has not previously been included in income at the time

of sale or other disposition by such owner. In general, any market discount on a Bond will be treated as accruing on a straight-line basis over the term of such Bond, or, at the election of the owner of such Bond, under a constant yield method. Prospective purchasers of Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, Bonds acquired at a market discount.

Premium

If a Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the Bond if an election under Section 171 of the Code is made or is previously in effect.

Sale of Bonds

If a Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the Bond. Such adjusted basis generally will equal the cost of the Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a Bond will generally give rise to capital gain or loss if the Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers are especially encouraged to consult with their own tax advisors on this subject.

Foreign Investors

Generally, payments of interest on the Bonds to an owner of Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

Information Reporting and Backup Withholding

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and the applicable Treasury Regulations issued thereunder, a non-corporate U.S. holder of the Bonds may be subject to backup withholding at the then-applicable withholding rate with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code, or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-

exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

State Tax Treatment of Interest on the Bonds

Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is exempt from State of North Carolina income taxation.

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 IRS 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.

FINANCIAL ADVISOR

Davenport & Company LLC has acted as financial advisor to the County in connection with the issuance of the Bonds.

UNDERWRITING

The underwriters of the Bonds are _____.¹

The underwriters of the Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the Bonds. If all of the Bonds are sold at the public offering yields hereinabove set forth, the underwriters anticipate total underwriters' discount of \$_____.¹ The public offering prices or yields of the Bonds may be changed from time to time by the underwriters.

¹Information provided by underwriters of the Bonds.

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.

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

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

LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA

By

Jennifer Wimmer
Deputy Secretary of the Commission

COUNTY OF BUNCOMBE, NORTH CAROLINA

By

Brownie Newman
Chair of the Board of Commissioners

By

Avril Pinder
County Manager

By

Melissa Moore
Finance Director

APPENDIX A

INFORMATION RELATING TO THE COUNTY

General Description and Demographic Characteristics

The County was established in 1791, at which time it extended from the Blue Ridge Mountains to the Tennessee border. The subsequent creation of additional western North Carolina counties eventually reduced the County to its present 660 square mile area.

The City of Asheville (“*Asheville*”) is the County seat and lies at the geographic center of the County. Asheville is approximately 240 miles west of the City of Raleigh, North Carolina; 204 miles north of the City of Atlanta, Georgia; and 100 miles east of the City of Knoxville, Tennessee.

The North Carolina Office of State Budget and Management recorded the population of the County as follows:

<u>2000</u>	<u>2010</u>	<u>2020</u>
206,330	238,318	269,452

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
261,065	264,056	269,994	271,638	273,403

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

<u>Year</u>	<u>County</u>	<u>State</u>
2018	\$47,569	\$46,040
2019	50,478	48,366
2020	52,847	51,781
2021	58,883	56,705
2022	61,560	58,109

Source: U.S. Bureau of Economic Analysis; latest data available.

Business and Economic Profile

The County is the most populous county in the western part of the State and serves as a regional economic center for western North Carolina. The County has a diverse commercial and industrial base which includes travel and tourism, retail and wholesale trade, healthcare, technology, governmental services, and manufacturing.

New and Expanded Businesses. The following companies have announced new or expanded business in the County since the beginning of 2020:

In June 2023, Poppy Handcrafted Popcorn announced plans to invest \$4.3 million in new operations in the County. The investment will increase production capacity sixfold for the locally-founded snack maker

and more than double the company's existing manufacturing space. The expansion will facilitate the creation of 66 new jobs in the next five years.

In December 2022, System Logistics – Vertique, the American operations of System Logistics SpA (Italy), announced plans to invest \$8 million in its Asheville operations at Vista Industrial Park. This new project was expected to add 37 net new jobs with an average wage of \$26.38 per hour and sustain 172 existing jobs.

In July 2021, East Fork Pottery announced plans to invest \$2.4 million in its Asheville operations for a new building upfit and new technology and machinery. Additionally, this project expansion was expected to add over 50 net new jobs with an average wage of \$22.46 per hour and sustain over 100 existing jobs.

In March 2021, BorgWarner, a global technology leader in vehicle propulsion systems, announced plans to invest \$62.25 million in its County operations. This investment was expected to sustain the existing workforce while bringing additional high-wage jobs from other BorgWarner locations in the United States.

In October 2020, Pratt & Whitney, a world leader in the design, manufacture and service of aircraft and helicopter engines, announced plans to invest approximately \$650 million through 2027 in a new County manufacturing facility. This investment in new building, technology, machinery and equipment is intended to create 800 new positions through 2027 including career opportunities in engineering, technology, production and management.

In June 2020, Charles Edward Industries (CEI) announced plans to invest \$1.5 million over three years in a new manufacturing operation in Asheville. The facility was expected to create 60 new jobs, including positions in assembly and production, engineering, management and administration.

In January 2020, Nypro announced plans for an \$18.5 million investment to its operations in the County, which investment was expected to create 68 new jobs.

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The largest employers in the County are set forth on the following tables.

The following table lists the 10 largest non-manufacturing employers in the County, including governmental entities, as of June 30, 2023:

Company or Institution	Description	Approximate Number of Employees
Mission Health and Hospitals	Hospitals	3,000+
Buncombe County Public Schools	Educational Services	3,000+
Ingles Markets, Inc.	Food & Beverage Stores	1,000-2,999
VA Medical Center - Asheville	Public Administration	1,000-2,999
The Biltmore Company	Museums, Historical Sites & Similar Institutions	1,000-2,999
Buncombe County Government	Executive, Legislative & Other General Government Support	1,000-2,999
City of Asheville	Executive, Legislative & Other General Government Support	1,000-2,999
Wal-Mart Associates Inc.	Retail Trade	1,000-2,999
Mountain Area Health Education Ctr.	Healthcare and Social Assistance	500-999
A-B Tech	Educational Services	500-999

Source: County's Fiscal Year 2023 Annual Comprehensive Financial Report.

The following table lists the 10 largest manufacturing employers in the County as of June 30, 2023:

Company or Institution	Description	Approximate Number of Employees
Eaton Corporation - Electrical Division	Electrical Equip., Appliance & Component Mfg.	1,000-2,999
Thermo Fisher Scientific, Inc.	Machinery Mfg.	1,000-2,999
BorgWarner Turbo & Emissions Systems	Transportation Equip. Mfg.	500-999
Linamar North Carolina Inc.	Machinery Mfg.	500-999
Kearfott Corporation	Electrical Equipment	400-499
Plasticard-Locktech International	Plastic Cards	300-399
Flint Group	Print Consumables	300-399
GE Aviation	Jet Engine & Aircraft Mfg.	300-399
Jabil	Automated Assembly	300-399
Owens & Minor	Healthcare Logistics	300-399

Source: County's Fiscal Year 2023 Annual Comprehensive Financial Report.

Taxable sales for the County during the Fiscal Years ended June 30, 2019 through June 30, 2023, and for a portion of the current Fiscal Year are shown in the following table:

Fiscal Year Ended June 30	Total Retail Sales	Increase (Decrease) Over Previous Year
2019	\$5,754,439,712	5.83%
2020	5,490,195,247	(4.59)
2021	6,160,933,639	12.22
2022	7,310,486,077	18.66
2023	7,703,980,426	5.38
2024 (8 months) ¹	5,322,528,262	--

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

¹ Taxable sales for the comparable eight-month period ended February 28, 2023 amounted to \$5,266,764,221.

Construction activity in the County is indicated by the following table which summarizes the number and value of building permits for new construction issued in the County, Asheville and the Town of Black Mountain:

Calendar Year	Residential ¹		Non-residential ²		Total Value
	Number	Value	Number	Value	
2019	4,091	\$ 620,583,530	1,716	\$298,517,384	\$ 919,100,914
2020	4,172	705,930,067	1,462	260,519,987	966,450,054
2021	4,978	824,647,254	1,300	505,888,674	1,330,535,928
2022	4,379	917,720,820	1,558	356,079,963	1,273,800,783
2023	4,226	1,007,089,091	1,615	538,739,399	1,545,828,490

Source: Buncombe County Permits and Inspections.

¹ Residential permits (a) include all single and multi-family units but no additions and alterations and (b) exclude mobile homes.

² Nonresidential permits exclude additions and alterations.

Banking. The County is served by a number of banking institutions, including Bank of America, N.A.; Black Mountain Savings Bank, S.S.B.; Capital Bank, N.A.; Fifth Third Bank; First Bank; First Tennessee Bank, N.A.; First-Citizens Bank & Trust Company; Home Trust Bank; The Park National Bank; Pinnacle Bank; PNC Bank, N.A.; Regions Bank; TD Bank, N.A.; Truist Bank; TruPoint Bank; U.S. Bank; Wells Fargo Bank, N.A.; and Woodforest National Bank.

Healthcare. The healthcare and social assistance industry is another significant source of jobs in the Asheville Metropolitan Statistical Area (“MSA”), which includes the County, Haywood County, Henderson County and Madison County. In 2022, the healthcare and social assistance industry in the MSA employed approximately 34,828 people, which equals approximately 19.3% of all private employment. Local wages within the healthcare industry are approximately 4% above the State industry average. The upward trend in the healthcare industry is anticipated to continue because of the aging population in the area, a high concentration of healthcare facilities and a healthcare spending rate higher than the national average. See “**THE COUNTY – Human Services**” herein.

Mission Health, based in Asheville, which was purchased by HCA Healthcare, Inc. in 2018, is the primary referral center for western North Carolina and the adjoining region. Formerly a non-profit, Mission

Health has become the County's top taxpayer (as of December 31, 2022). Mission Health's flagship hospital, Mission Hospital ("*Mission*"), is the largest employer west of Charlotte with over 8,000 employees including over 2,300 registered nurses. Mission is licensed for 815 beds on its two adjoining campuses in Asheville. The medical staff has more than 1,000 physicians and is certified in more than 50 specialties and subspecialties. Mission includes the following Centers of Excellence: Cancer, Heart, Neurosciences, Orthopedics, Trauma, Women's Health, and Mission Children's Hospital. Mission Health also has 14 member hospitals in North Carolina. Mission's facilities include a modern 630,000 square-foot facility in the County that houses a 94-bed emergency department and 220-bed acute and critical care facility. Mission is the regional referral center for tertiary and quaternary care and the region's only Level II trauma center. Mission has been rooted in the community since 1885. Mission Children's Hospital is the region's only Level III Neonatal Intensive Care Unit (NICU) and provides 30 pediatric subspecialists.

Part of Mission Health and located in Asheville, CarePartners Health Services ("*CarePartners*") offers a full continuum of post-acute care. CarePartners includes CarePartners Rehabilitation Hospital, an 80-bed regional referral center with intensive inpatient rehabilitation programs. CarePartners also offers (1) outpatient rehabilitation services at seven separate locations throughout the County, (2) home health nursing and therapy, and private duty services in the County and in surrounding counties, (3) hospice and palliative care (comfort care) services in the home, in long-term care facilities and in the Hospice Solace Center, a 27-bed, home-like facility in Asheville for end of life care, (4) adult day services, (5) private duty nursing, homemaker and personal care services and (6) orthotics and prosthetics services, providing bracing and artificial limbs at a clinics in Asheville, with care also available in the home and in medical facilities in the County and surrounding counties. CarePartners has more than 1,100 employees.

Charles George Veterans Administration Medical Center (the "*VA*"), located in Asheville, serves the healthcare needs of more than 48,000 veterans living in a 23-county area of western North Carolina. The VA is a tertiary care, 119-bed acute care facility (including a 16-bed inpatient psychiatric unit). The VA also operates a separate 120-bed community living center where services include extended care rehabilitation, psychogeriatric care and general nursing home care and 18 authorized Substance Abuse Residential Rehabilitation Treatment Program beds. The VA provides primary care, extended care and rehabilitation, hospice and palliative care, mental health, pharmacy and specialty care services on an inpatient and outpatient basis at the facility in Asheville and three rural clinics. The VA has more than 1,900 employees and over 400 physicians.

The Mountain Area Health Education Center ("*MAHEC*") was formed as part of a statewide network of health education programs to provide healthcare training and continuing education for practicing healthcare personnel in western North Carolina. MAHEC is a non-profit foundation formed by representatives from the Buncombe County Medical Society and Mission Hospitals in 1974. Activities of the MAHEC program include a family practice residency, continuing medical education for practicing physicians and other healthcare professionals, a family nurse practitioner program, pharmacy education, and public health education. In addition, there are programs for continuing education in all health fields. MAHEC is funded by State and federal revenues, local support and generated fees. As of June 2023, more than 700 physicians and dentists have graduated from MAHEC. More than 80% of MAHEC graduates in North Carolina practice locally in western North Carolina.

The County neither owns nor operates any of these facilities. The County has supported indigent patient care costs historically by annual appropriations distributed to the hospitals on the basis of indigent patient encounters. More recently, such funds have been appropriated to support a volunteer physician provider network through the Western Carolina Medical Society that also provides prescription drug and durable medical equipment support. This support assists in reducing inappropriate use of the Emergency Department and helps reduce impatient hospitalizations by linking indigent patients to primary care, specialty providers, and diagnostic services that otherwise might not be available. The County also supports

a broad range of initiatives to link patients to a medical home and to enroll eligible individuals into Medicaid and/or Health Choice.

In addition to the healthcare providers described above and the healthcare services discussed in the caption “**THE COUNTY – Human Services,**” the County’s healthcare industry includes various healthcare support industries including Change Healthcare, which provides pharmacy support services from its Asheville location. In addition, the Department of Veterans Affairs located its Mid-Atlantic Consolidated Patient Account Center in Asheville and UNC Asheville opened a campus of the UNC Eshelman School of Pharmacy.

Technology and Science. The County and Asheville draw technology entrepreneurs from around the nation. The County is home of “Meet the Geeks,” an organization intended to foster creativity, innovation, professional development, and intra-company collaboration among the County’s diverse technology companies. A high school for science, technology, engineering, and mathematics (STEM) is located in the County to prepare students to be part of this workforce.

Several science and technology sector companies are based in the County, including AvL Technologies, a high tech manufacturer of mobile satellite antennas systems and positioners; Builderadius, a leading provider of software and data services to organizations involved with building safety and building code enforcement; Genesys Systems, a designer and producer of high-intensity discharge lighting; and Plasticard-Locktech International, the world’s largest keycard manufacturer. The County is also the site of several manufacturing facilities that fabricate innovative and technologically advanced products, including BorgWarner Inc., Arvato Digital Services, Eaton Corporation, Kearfott Corporation and Thermo Fisher Scientific. In addition to these commercial ventures, the County is home to the headquarters of the National Centers for Environmental Information (NCEI), one of the world’s most significant archives of environmental data. NCEI has approximately 250 full-time federal employees across the country including 120 employed in the County. In addition, there are about 200 cooperative institute and contract employees around the country working with NCEI, 130 of those affiliates work in the County. NCEI has comprehensive oceanic, atmospheric, and geophysical data.

Manufacturing and Distribution. Manufacturing is a strong segment of the County’s economy. The diverse products manufactured include food, craft beer, textiles, apparel, wood products, printing and publishing, rubber and plastics products, fabricated metal products, industrial machinery and equipment, electrical equipment, and transportation equipment.

Wholesalers located in the MSA account for a significant portion of the wholesale sales volume in the 16-county western North Carolina area. Sales include those to retail markets of groceries, motor vehicles, and a wide variety of non-durable goods, including machinery, lumber, electrical goods, and construction materials to manufacturers and construction companies. Wholesale trade provided employment for approximately 5,321 people in 2022. As a regional urban center, the MSA also serves as a retail trade center for western North Carolina employing approximately 26,710 people in 2022. Wholesale and retail trade, combined, provided approximately 17.7% of total employment in the MSA in 2022.

Retail grocer Ingles Markets, Incorporated is headquartered in the County and self-distributes its stores’ merchandise, other than direct store delivery product, from its 1.6 million square-foot distribution center in the County, the largest of its kind on the East Coast.

Tourism. Activities and businesses supporting tourism constitute one of the largest sectors of the County’s economy. The County attracts more than 12.5 million visitors annually, including 4.6 million overnight guests. Tourists are primarily taking advantage of the mountain scenery, a vibrant downtown, and world-famous Biltmore Estate. Total lodging sales grew 49% from the Fiscal Year ended June 30, 2019

to the Fiscal Year ended June 30, 2023. With annual occupancy of 72.2%, the County has attracted significant hotel development in recent years.

<u>Fiscal Year</u>	<u>Lodging Sales (in millions)</u>	<u>Hotel Rooms Sold (in millions)</u>	<u>Vacation Rental Room Nights (in millions)</u>
2021	\$465	2.20	1.64
2022	642	2.29	1.77
2023	633	2.28	1.75

Source: Explore Asheville Convention & Visitors Bureau.

The Blue Ridge Parkway, a National Parks System scenic parkway which attracts nearly 15 million people each year, is headquartered in the County. It has been named “America’s Favorite Drive” and includes overlooks, hiking trails and the headquarters of the Southern Highland Craft Guild. The Parkway spans 469 miles and connects the Shenandoah Mountains in Virginia to the Great Smoky Mountains National Park.

A portion of the half million acre Pisgah National Forest is located in the County. Pisgah National Forest provides access to hiking, important wildflower habitats and national park visitor centers.

Biltmore is a private attraction located in the County, which draws approximately 1.4 million visitors annually. The 250-room Biltmore House, the largest private residence in the country, was built in the late 1800’s and has the most visitors of all historic buildings in the State. In addition to the Biltmore House, the estate contains two hotels, a winery, six restaurants, a licensed products division, and a number of outdoor activities.

The Omni Grove Park Inn (the “*Grove Park*”), a historic inn originally built in 1913 and located near downtown Asheville, is listed on the National Register of Historic Places and includes a 43,000 square-foot spa. The Grove Park hosts banquets, conventions and other meetings in 42 meeting rooms and suites, including the nearly 18,000 square-foot Grand Ballroom and 8,800 square-foot Heritage Ballroom.

Other tourist attractions in or near the County include the Blue Ridge Parkway Folk Art Center, Chimney Rock Park, Grandfather Mountain, Navitat Canopy Adventures zip line canopy tour, Vance Birthplace pioneer farmstead, Flat Rock Playhouse, Carl Sandburg Home National Historic Site, Oconaluftee Indian Village and “Unto These Hills” outdoor drama of the Cherokee story.

Asheville is the largest city in western North Carolina and is the County seat. Since 2007 when Topretirements.com published its first list of the best places to retire, Asheville has been named a top five place to retire. *Forbes Magazine* included Asheville as one of the 25 best places to retire in 2015, 2018 and 2021.

Employment

The North Carolina Department of Commerce Labor and Economic Analysis Division (“*LEAD*”) has estimated the percentage of unemployment (not seasonally adjusted) for the civilian labor force in the County to be as follows:

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2019	3.3%	3.1%	3.1%	2.7%	3.0%	3.3%	3.2%	3.3%	2.7%	2.8%	2.7%	2.6%
2020	3.1	2.9	3.8*	19.4*	16.3*	12.6	10.6	7.4	6.7	5.5	5.3	5.1
2021	5.6	5.4	4.9	4.5	4.6	4.9	4.3	4.1	3.4	3.4	3.2	2.6
2022	3.2	3.1	2.8	2.7	3.0	3.3	3.1	3.3	2.7	3.0	2.9	2.5
2023	3.0	2.9	2.8	2.4	2.7	2.8	2.7	2.8	2.5	2.7	2.6	2.4
2024	2.8	3.0	N/A	N/A								

*Onset of the COVID-19 Pandemic.

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

The following is a comparison of the average annual unemployment rates for the County, State and United States for calendar years 2021-2023.

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2021	4.2%	4.9%	5.4%
2022	3.0	3.7	3.7
2023	2.7	3.4	3.6

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

Government and Major Services

Government Structure. The County has a commissioner/county manager form of government with seven commissioners (the “*Board of Commissioners*”), one of whom is elected as Chairman. Two commissioners are elected from each of the three House of Representative Districts in the County to serve staggered four-year terms. Each commissioner is required to reside in and represent one of the districts, and only the qualified voters of that district are eligible to vote for that district seat.

The Board of Commissioners is the legally constituted, law making and policy making body of the County. The major duties of the Board of Commissioners include adoption of an annual budget, establishing the annual property tax rate, enactment of policies concerning the operation of the County, enacting local ordinances and appointment of the County Manager. The Board of Commissioners also has authority to issue bonds and enter into contracts.

The County Manager is the chief administrator of the County, appointed by the Board of Commissioners to serve at its discretion for an indefinite term. Major duties of the County Manager include supervising and coordinating the activities of the various County departments, attending Board of Commissioners meetings and making recommendations on applicable matters of business, ascertaining that all orders and policies of the Board of Commissioners are implemented and recommending the annual budget.

Education. The County has two public school systems: (1) the Asheville City Administrative Unit which serves approximately 16% of the students in the County and (2) the Buncombe County Administrative Unit which serves the remaining students in the County. The Asheville City Administrative

Unit is operated and administered by a Board of Education whose members are appointed by the Asheville City Council. The Buncombe County Administrative Unit is operated and administered by an elected Board of Education. Each board appoints a school superintendent. State law provides a basic minimum educational program for each school administrative unit or district which in turn is supplemented by the County and federal governments. The minimum program provides funds for operational costs only. The building of public school facilities has also been a joint State and County effort. Local financial support is provided by the County for capital and operating expenses not provided by the State. Each board of education submits its approved budget to the Board of Commissioners. Based on these budgets, the Board of Commissioners determines the amount of County revenue to be appropriated to each school administrative unit for the year.

The Asheville City Board of Education is authorized to request the Board of Commissioners to levy a supplemental tax not to exceed \$.25 per \$100 valuation for supplemental operating expenses. At the request of the Asheville City Board of Education, the Board of Commissioners has levied an ad valorem tax which is currently \$.1062 per \$100 valuation on all property within the Asheville City School District.

The following table illustrates the number of schools and average daily membership for each administrative unit for the past five years:

BUNCOMBE COUNTY ADMINISTRATIVE UNIT

School Year	Elementary Grades K-5		Elementary Grades 5-6		Intermediate Grades 6-8		Secondary Grades 9-12		Early College		Virtual Academy Grades K-12		Total
	Number	ADM	Number	ADM	Number	ADM	Number	ADM	Number	ADM	Number	ADM	
2019-20	23	10,224	4	2,564	7	4,203	8	7,193	2	319	-	-	24,503
2020-21	23	9,798	4	2,323	7	3,980	8	6,789	2	339	-	-	23,229
2021-22	23	9,660	4	2,319	7	3,779	8	6,803	2	315	1	292	23,168
2022-23	23	9,861	4	2,272	7	3,659	8	6,843	2	324	1	278	23,237
2023-24	23	9,768	4	2,293	7	3,697	8	6,808	2	315	1	290	24,503

Note: ADM or average daily membership (determined by actual records at the schools) is computed by the North Carolina Department of Public Instruction on a uniform basis for all school administrative units in the State. The average daily membership computations are used as a basis for teacher allotments.

Source: North Carolina Department of Public Instruction and Buncombe County Schools.

Asheville-Buncombe Technical Community College (“A-B Tech”) has served as the community’s premier technical educator since its founding in 1959. A-B Tech is Western North Carolina’s largest higher education institution, serving more than 23,000 students across its academic, continuing education and workforce training programs from the main campus in Asheville, A-B Tech Enka, A-B Tech Madison, A-B Tech Woodfin, and other locations such as Goodwill, ABCCM and high schools. In addition to offering 150 degrees, diplomas and certificates, A-B Tech provides hundreds of workforce development and continuing education courses, as well as a Small Business Center and adult education programs. Approximately 75% of A-B Tech students reside in A-B Tech’s service area of Buncombe and Madison Counties. In 2022-23, the student population included residents from 88 other North Carolina counties, 38 other states and 50 foreign countries. A-B Tech also houses the Buncombe County Early College and Buncombe County College for Innovation (former Middle College). Nearly a third of A-B Tech’s enrollment are high school students who are dual-enrolled at A-B Tech.

The responsibility for financial support of A-B Tech is shared by the State, County and Federal governments. The County has budgeted to contribute \$8.1 million for A-B Tech operating expenses during the current Fiscal Year. In 2011, in accordance with North Carolina General Statute § 105-537, Buncombe County voters approved a referendum for a quarter-cent sales and use tax increase that would exclusively fund capital improvement needs of A-B Tech. The revenue from this sales and use tax is projected to

generate more than \$130 million by the time it sunsets in 2027. To date, the revenue has funded construction of an educational facility for Allied Health and Workforce Development programs, a conference center, a parking garage, and other capital improvements.

The University of North Carolina at Asheville (“*UNC Asheville*”) is a primarily undergraduate, State supported, liberal arts university which has approximately 3,000 students. It is located about one mile from the center of Asheville on a 365-acre campus. UNC Asheville is a constituent institution of the University of North Carolina system. UNC Asheville is the designated liberal arts institution for the UNC system and was named one of the nation’s top ten public liberal arts universities by *U.S. News and World Reports* in 2024. UNC Asheville offers more than 30 undergraduate majors and a Master of Liberal Arts and Sciences degree. Founded in 1927, UNC Asheville is one of the County’s intellectual and creative hubs, creating jobs, educating citizens and attracting visitors, residents and new students. In addition to its educational facilities, UNC Asheville contributes to the cultural life of the community by offering NCAA Division I athletics and the Osher Lifelong Learning Institute which extends learning opportunities to area residents.

Warren Wilson College, located in the eastern part of the County, is a four-year, private, coeducational college accredited by the Southern Association of Colleges and Schools with an enrollment of approximately 825 students. Warren Wilson College’s strong environmental and international emphases enhance an academic program that integrates academics, work and service.

Montreat College, located in the eastern part of the County, is a four-year, private, liberal arts college with approximately 918 students from more than 30 states and over 20 foreign countries. Students attend Montreat College at campuses within the County and at satellite campuses located outside of the County. It offers Associate, Bachelor, and Master degrees.

Transportation. The County’s air transportation needs are served by the Asheville Regional Airport (the “*Airport*”). The Airport is operated by the Greater Asheville Regional Airport Authority (the “*Airport Authority*”), established in 2012 pursuant to State statute. The board members of the Airport Authority are appointed as follows: two appointments by the Asheville City Council, two appointments by the Board of Commissioners, two appointments by the Henderson County Board of Commissioners and one regional at-large appointment by the other six board members.

No County funds are appropriated for the Airport.

Airlines serving the Airport include Allegiant Air, American Airlines, Delta Air Lines, Elite Airways, Spirit, and United Airlines. The following chart sets forth the annual number of passengers at the Airport from 2019 through 2023:

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1,616,762	704,972	1,428,266	1,838,793	2,246,411

Source: Asheville Regional Airport.

The U.S. Postal Service – Express provides express letter service through flights at the Airport.

Major expansion, maintenance, and improvements to primary and secondary highways within the County are primarily the responsibility of the State. Each municipality within the County bears the primary responsibility for local street systems. The County participates in the Transportation Advisory Committee, a local advisory group, which submits recommendations to the State for funding priorities within the

Asheville Urban Transportation Area. By State law, the County has no financial obligation with respect to the construction and maintenance of roads.

Roads in the County include Interstate highways 240, 40 and 26; U.S. highways 25, 25A, 19-23, 70 and 74; and NC highways 9, 63, 80, 112, 151, 197, 191, 81, 280, 694, 251 and 146. Construction has been completed on former US 19-23 North from the County to the Tennessee border to bring it to interstate standards, and it is now part of Interstate Highway 26 and has improved access to the County from the intersection of that Interstate and Interstate Highway 81 in Tennessee.

The County is served by three bus lines: Greyhound/Trailways, Young Transportation, and Emma Bus Lines, Inc. The Asheville Transit Authority provides local service along 17 routes in Asheville. No bus system operating in the County is subsidized by the County. Mountain Mobility provides local transportation as well.

The County is served by Norfolk Southern Railway System and Union Pacific Railroad, which provide freight service only, and approximately 40 motor freight carriers which have terminals in the County.

Human Services

Public Health Programs. The County Health Department provides reproductive health, communicable diseases, environmental health, nutrition, school nurses, nurse-family partnerships, care coordination for high-risk pregnancies and at-risk children, health promotions, lab, pharmacy, and vital records services. The County Health Department assures access to other services through contracts with local providers for adult and child primary care, dental health, and prenatal care.

Reproductive health services include essential preventive and reproductive health services. Services are available to men, women, transgender and non-binary individuals. The reproductive health clinic provides access to a wide variety of birth control, reproductive life planning education and cancer screenings. Communicable disease services include community-wide prevention, investigation and treatment of communicable diseases; immunizations; tuberculosis testing, treatment, and follow-up; and diagnosis, treatment, education, and follow-up for sexually transmitted diseases. Environmental health services include inspection and approval of private sewage treatment and disposal systems, inspection and approval of wells, inspection and grading of all commercial food and lodging establishments and child-care centers, and inspection of water supplies and public swimming pools. Nutrition services include Women, Infants, and Children (“WIC”) Nutrition Program services, breastfeeding peer counseling services and nutrition counseling for WIC recipients. Nurse-Family Partnership is an evidence-based nurse home visiting program for low-income mothers. Care Coordination provides case management for Medicaid recipients with high-risk pregnancies or at-risk children under 5. The Health Promotion program facilitates community workgroups around each community health priority identified in the Community Health Assessment, assuring surveillance, monitoring and community engagement to meet health outcomes, including harm reduction programming. The County Health Department’s lab provides basic and limited complex lab services for reproductive health, communicable disease and environmental health. A pharmacist stocks pharmaceuticals, monitors the dispensing of those pharmaceuticals by clinic nurses and oversees vaccine ordering and inventory. The Vital Records division processes and registers all birth and death notices in the County and transmits birth and death certificates to the Buncombe County Register of Deeds. In the Fiscal Year ended June 30, 2016, the County awarded a contract to MAHEC to provide and manage school nurses to Asheville School District, Buncombe County School District and some charter schools. These nurses provide for acute care needs, oversee children with complex medical conditions, such as diabetes and asthma, and educate students and faculty.

As part of its public health assurance role, Health and Human Services contracts with local providers for additional services. In the Fiscal Year ended June 30, 2009, the County entered a contract with the Western North Carolina Community Health Services (“WNCCHS”), the local Federally Qualified Community Health Center for provisions of adult and child dental care. In the Fiscal Year ended June 30, 2010, the County added adult and child primary care services to the WNCCHS contract. Then, in the Fiscal Year ended June 30, 2011, prenatal care services were also added to the contract. This partnership increased access to these services for County residents and leveraged valuable county resources in order to assure primary care for thousands of additional County residents.

Of the \$25,931,822 budgeted for public health services for the Fiscal Year ended June 30, 2023, \$14,427,198 was provided by the County and the remainder was provided by fees collected by the County Health Department and by State and federal sources. Of the \$25,884,970 budgeted for public health services for the Fiscal Year ending June 30, 2024, \$17,238,924 will be provided by the County and the remainder will be provided by fees collected by the County Health Department and by State and federal sources.

Veteran Services is available within Health and Human Services to assist veterans and their families in gaining access to benefits, as well as other needed services.

Social Work Programs. The Adult Services Division provides adult protective services, guardianship assessments, placement services and adult care home regulatory services. In addition, partnerships are utilized to ensure ongoing guardianship case management, payee services, in-home aide services, adult day care and special assistance in-home services. The Child and Family Services Division provides child protective services (including investigation and assessment), family in-home services and foster care and adoption services. The goal of Child and Family Services is the safety, permanence, and well-being of children involved within the child welfare system. Child Welfare also partners with many contracting agencies to serve families and children and connect them to services that will support them and assist in achieving positive outcomes.

Economic Services Programs. The Economic Services Division provides a variety of public assistance services that support economic self-sufficiency, workforce development and the general well-being of families. These programs include Medicaid, Food and Nutrition Services, TANF/Work First Services, Energy/Emergency Assistance, Child Support Enforcement, Childcare Subsidy and Program Integrity. The Economic Services Division directly determines eligibility and issues benefits for the following public assistance programs: Medicaid (including Medicaid Transportation authorization and coordination), NCHIP (NC Health Choice for Children), Food and Nutrition Services, Special Assistance Services (Rest Home/Family Care Home) for elderly/disabled adults, and Energy Assistance Programs (Low Income Energy Assistance and Crisis Intervention Program). TANF/Work First Services assists families to build a foundation for a family to move from cash assistance to stable employment resulting in lasting self-sufficiency in coordination with all services provided through the County Health Department and in partnership with community support services. Program Integrity investigates allegations of fraud and abuse of public assistance programs. Economic Services utilizes the State-maintained case management system NC FAST, which includes Medicaid, Food and Nutrition Services, TANF/Work First, Energy Programs and Special Assistance. Child Support Services are provided through a contractual relationship with a nationally recognized provider, Veritas HHS, LLC. Childcare Subsidy Services are provided through a contractual relationship with Southwestern Child Development Commission, Inc. (“SWCDC”). SWCDC is recognized throughout the State as a leader in the child day care subsidy program.

Administration of these programs assures strategic management and support, seeks to maximize federal, State and miscellaneous revenues, fosters integration across Health and Human Services, and seeks collaboration with other human services agencies in the community. Decisions are made with the goal of maximizing the department’s effectiveness and efficiency in order to ensure the best use of resources. Of

the \$29,715,972 budgeted for social services programs for the Fiscal Year ended June 30, 2023, \$5,939,540 was provided by the County. Of the \$31,828,780 budgeted for social services programs for the Fiscal Year ending June 30, 2024, \$5,754,187 will be provided by the County.

Mental Health Programs. Vaya Health (“Vaya”), a public managed care organization in which the County participates, was established in 2013 and now serves a 32-county area. The County population comprises less than 15% of the 32-county population. The range of services managed by Vaya (through private providers) is comprehensive, ranging from prevention, treatment and crisis services related to mental health, substance use, intellectual/developmental delays or traumatic brain injuries for individuals with Medicaid or without insurance. The County contributes \$600,000 annually to the operation of Vaya, specifically for services designated by the County.

Public Service Enterprises

Sanitary Sewer Service. Sanitary sewer service is provided to the County by the Metropolitan Sewerage District of Buncombe County (the “*District*”). The District is a public body and body politic and corporate of the State of North Carolina, organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, Article 5, Chapter 162A, of the General Statutes of North Carolina, to exercise public and essential governmental functions. The District was established in 1962 by the North Carolina State Stream Sanitation Committee for the purpose of constructing and operating facilities for the treatment and disposal of the sewage generated by the political subdivisions comprising the District.

On July 2, 1990, the District entered into agreements with the County, five municipalities in the County, and 11 sanitary sewer districts in the County transferring ownership of the sewerage systems of such entities to form a consolidated sewerage system under the control of the District. These agreements provided for some sharing of the costs of sewerage system extensions between the District and the transferring entities. However, the County has had no financial obligation to the District since the date of the agreement.

The District Board consists of 14 members: three from the County; three from Asheville; two from Cane Creek Water & Sewer District; and one each from Woodfin Sanitary District, the Town of Biltmore Forest, the Town of Black Mountain, the Town of Montreat, the Town of Woodfin and the Town of Weaverville.

The District owns, operates and maintains a 40 million gallons per day (“MGD”) wastewater treatment plant to treat raw sewage and industrial wastewaters collected in an extensive network (approximately 1,100 miles) of collector sewers currently owned, operated and maintained by the District pursuant to the consolidation agreements signed on July 2, 1990. Average plant flow currently is approximately 20.88 MGD.

Water Service. The major water supply for the area is Asheville’s watershed, consisting of two impoundment reservoirs, together storing 6.25 billion gallons of water. There are three water treatment plants with a combined capacity of 43.5 MGD, with an additional water source in northern Henderson County which has average daily water flows sufficient to satisfy the area’s projected water demands for the next 25 years. A 7.5 MGD (Mills River WTP) water treatment plant in Henderson County began operation in 1999. The existing water system currently serves approximately 124,300 people, or approximately 48% of the population of the County. The watershed, treatment plants, 1,702 miles of transmission and service lines, pumping stations and reservoir storage system combine to make the system one of the largest in the State.

The County's towns of Weaverville, Black Mountain, Biltmore Forest, Montreat, and Woodfin have their own reservoirs and water lines which are maintained by those respective municipalities. These water systems are linked to the water system and at times purchase some or all of their water from the Asheville system. The County does not contribute to their support.

Solid Waste Disposal Service. Solid waste collection is provided by the individual municipalities within their respective corporate limits and by independent private franchised haulers in the unincorporated portions of the County. The landfill consists of 10 separate disposal cells being constructed sequentially over the estimated 30-year life of the facility, with current activity in the recently completed seventh cell. The facility includes a Subtitle D lined municipal solid waste landfill disposal area, and a landfill gas-to-energy facility that supplies electricity to 1,100 homes per year, a Construction and Demolition landfill, a yard waste mulching facility, a convenience center for residential waste disposal and recycling, a household hazardous waste recycling facility for electronics, televisions, fluorescent light bulbs, paint and pesticides, and a drop-off recycling area for white goods and tires.

Other Services. Fire protection in Asheville, the Town of Black Mountain and the Town of Weaverville is managed by those respective municipalities. In addition to providing fire protection within their corporate limits, each of the three municipal fire departments has a contracted service area of the County immediately outside their municipal boundaries. The fire service in the non-municipal areas of the County (not contracted to a municipal fire department) is managed through 16 fire service districts. Service for these 16 districts is provided primarily by volunteer-combination departments. Each department operates through a contract for service issued and administered by the County. Each year, these departments submit an operating budget to the Board of Commissioners for review and to set each district's tax rate.

Buncombe County Parks & Recreation manages and operates 20 park locations across the County that total almost 553 acres. These parks include seven river parks, along the French Broad River, one nature preserve, five outdoor pools, three large community parks and four additional parks with playgrounds, baseball/softball fields, soccer fields and multipurpose fields. Lake Julian Park offers boating, fishing, disc golf course, two playgrounds, six reservable picnic shelters, a ¼ mile paved walking trail and kayak and sailboat storage. Buncombe County Sports Park includes eight competition soccer fields, three of which are synthetic turf with field lighting, a large picnic shelter, playground, bocce ball courts, sand volleyball courts, disc golf course, ½ mile walking trail around the park, dog park, multipurpose field, community garden and orchard, and houses a local nonprofit tree nursery. Charles D. Owen Park includes two baseball/softball fields, a T-ball field, playground, basketball courts, two picnic shelters, a 0.6 mile walking trail and offers fishing and birding opportunities. Collier Cove Nature Preserve is 29 acres of passive recreation property with approximately two miles of steep, strenuous hiking trails.

The County budget included \$2,487,862 to support these facilities for the Fiscal Year ended June 30, 2023. In addition to the County's efforts, recreational facilities are provided by Asheville, the towns of Black Mountain and Woodfin and other municipalities.

Since the Fiscal Year ended June 30, 2013, the County has partnered with over 30 community clubs, youth sports organizations and other non-profits all over the County to enhance health, wellness and recreational opportunities through the management of our Parks, Greenway & Recreation Community Recreation Grant program.

Electrical power is provided by Duke Energy Progress and French Broad Electric Membership Corporation. Natural gas is provided by the Public Service Company of North Carolina, Incorporated and telephone service is provided by AT&T, Verizon and Charter.

Debt Information

LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County estimates it has the statutory capacity to incur additional net debt of \$3,618,774,000 as of June 30, 2023.

OUTSTANDING GENERAL OBLIGATION DEBT

	June 30, <u>2019</u>	June 30, <u>2020</u>	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>
General Obligation Bonds					
Refunding Bonds	\$16,800,000	\$14,400,000	\$12,000,000	\$ 9,600,000	\$7,200,000
School Bonds	<u>1,823,000</u>	<u>1,350,000</u>	<u>877,000</u>	<u>404,000</u>	<u>--</u>
Total G.O. Bonds ¹	\$18,623,000	\$15,750,000	\$12,877,000	\$10,004,000	\$7,200,000

¹ Excludes unamortized premiums.

GENERAL OBLIGATION DEBT RATIOS

At July 1	Total Outstanding GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population ¹	Total GO Debt Per Capita
2019	\$18,623,000	\$37,528,113,413	.05%	264,056	\$70.53
2020	15,750,000	39,338,386,605	.04	269,994	58.45
2021	12,877,000	41,314,696,864	.03	271,638	47.41
2022	10,004,000	48,420,644,688	.02	273,403	36.59
2023	7,200,000	49,897,714,778	.01	273,403 ²	26.33
After Bonds Now Offered are Issued	\$22,225,000 ³	\$49,897,714,778	.04%	273,403 ²	\$81.29

¹ Estimate of the North Carolina Office of State Budget and Management – State Demographer.

² 2022 estimated population.

³ Preliminary; subject to change.

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GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

<u>Fiscal Year</u> <u>Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Bonds Now</u> <u>Offered</u> ¹
2024	\$2,400,000	\$102,000	-
2025	2,400,000	61,200	\$755,000
2026	2,400,000	20,400	755,000
2027	-	-	755,000
2028	-	-	755,000
2029	-	-	755,000
2030	-	-	750,000
2031	-	-	750,000
2032	-	-	750,000
2033	-	-	750,000
2034	-	-	750,000
2035	-	-	750,000
2036	-	-	750,000
2037	-	-	750,000
2038	-	-	750,000
2039	-	-	750,000
2040	-	-	750,000
2041	-	-	750,000
2042	-	-	750,000
2043	-	-	750,000
2044	-	-	750,000
Total	<u>\$7,200,000</u>	<u>\$183,600</u>	<u>\$15,025,000</u>

¹ Principal only. Preliminary; subject to change.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date</u> <u>Approved</u>	<u>Bonds Authorized</u> <u>and Unissued</u>	<u>Bonds Now Offered</u>	<u>Balance</u>
Housing	11/8/2022	\$40,000,000	\$15,025,000 ¹	\$24,975,000
Open Space	11/8/2022	<u>30,000,000</u>	<u>--</u>	<u>30,000,000</u>
		\$70,000,000	\$15,025,000 ¹	\$54,975,000

¹ Preliminary; subject to change.

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GENERAL OBLIGATION DEBT INFORMATION FOR UNDERLYING UNITS AS OF JUNE 30, 2023

Unit	2022 Population ¹	Assessed Valuation	Tax Rate Per \$100	General Obligation Debt ²		Total GO Debt Per Capita
				Utility	Other	
Asheville	95,513	\$19,879,349,713	\$.403	\$ --	\$ 94,993,377	\$ 994.56
Weaverville	4,726	1,200,787,715	.350	1,625,132	--	343.87
Woodfin	7,976	1,188,698,485	.330	--	5,069,740	635.62

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

² Does not include certificates of participation and revenue bonds as these are not general obligations of Asheville. Also does not include bonds for the payment of which funds have been escrowed from the proceeds of an advance refunding issue.

OTHER LONG-TERM COMMITMENTS

Other Long-Term Commitments. The majority of the County's debt consists of installment financing contracts and related limited obligation bonds. At June 1, 2024, the County had \$325,596,251 in principal amount of non-general obligation long-term debt. See the table "**Combined Debt Service Requirements as of June 1, 2024**" below.

Combined Debt Service Requirements as of June 1, 2024.

Fiscal Year	Existing Other Long-Term Obligations ^{1,2}	Enterprise Debt ³	Aggregate Total Debt Service
	Principal & Interest	Principal & Interest	
2025	\$43,785,264	\$ 2,892,357	\$46,677,621
2026	41,226,312	2,892,814	44,119,126
2027	39,641,171	2,892,103	42,533,274
2028	38,289,352	2,892,194	41,181,546
2029	37,113,189	75,000	37,188,189
2030	35,483,079	75,000	35,558,079
2031	30,508,204	75,000	30,583,204
2032	28,747,100	0	28,747,100
2033	24,836,803	0	24,836,803
2034	24,168,366	0	24,168,366
2035	14,795,878	0	14,795,878
2036	9,167,023	0	9,167,023
2037	8,981,011	0	8,981,011
2038	4,445,956	0	4,445,956
2039	1,574,100	0	1,574,100
2040	<u>1,529,550</u>	<u>0</u>	<u>1,529,550</u>
Total ⁴	\$384,292,359	\$11,794,468	\$396,086,827

¹ Includes obligations expected to be paid from the County's Governmental Funds.

² Calculated at actual rate of interest without regard to subsidy.

³ Paid from County's Solid Waste Fund.

⁴ Totals may not foot due to rounding.

Debt Outlook. The County prepares an annual Capital Improvements Plan which projects capital needs for five years into the future and budgets funds either for direct purchase or debt service accordingly. The County expects to finance renovations of various Asheville School District and Buncombe County School District facilities through a hybrid approach that may include the issuance of limited obligation bonds. This is part of the School Capital Fund Commission's approved list of projects that will be funded through Article 39 sales tax revenues. Notable projects for Asheville School District include, but are not limited to, a track replacement at Asheville Middle School and campus wide updates to Hall Fletcher Elementary. For Buncombe County School District, notable projects include, but are not limited to, construction of bus bays for multiple campuses, HVAC repairs at North Buncombe High and driveway queue enhancements at North Buncombe Elementary. Additionally, there will be ongoing investments for security for multiple locations across both school systems.

The Bonds represent the first issuance of the County's voter-approved housing bonds approved by the voters in 2022 and the County expects to issue additional housing bonds and 2022 voter-approved open space general obligation bonds over the next several years.

Tax Information

General Information.

Fiscal Year Ended June 30,	2020	2021	2022	2023
Assessed Valuation:				
Assessment Ratio ¹	100%	100%	100%	100%
Real Property ³	\$33,889,215,567	\$34,756,198,707	\$41,774,423,445	\$42,858,787,862
Personal Property	2,150,140,103	2,753,198,707	2,783,080,683	2,932,950,422
Public Service Companies ²	874,955,298	1,038,671,669	957,424,365	973,156,750
Registered Motor Vehicles	<u>2,424,075,637</u>	<u>2,766,719,282</u>	<u>2,905,716,195</u>	<u>3,132,819,744</u>
Total Assessed Valuation	\$39,338,386,605	\$41,314,696,864	\$48,420,644,688	\$49,897,714,778
Tax Rate per \$100	0.529	0.529	0.488	0.488
Levy ^{4,5}	\$208,210,267	\$218,832,239	\$236,551,310	\$243,686,305

Source: County Tax Assessor.

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 Property values are typically reassessed every four years. The most recent revaluation was effective in the Fiscal Year ended June 30, 2021.

⁴ Levy includes discoveries, releases and abatements.

⁵ In addition to the County wide rate, the following table lists the levies by the County on behalf of school districts and fire protection districts for the Fiscal Years ended June 30.

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

Fiscal Year Ended June 30,	2020	2021	2022	2023
School Districts	\$ 9,837,550	\$10,318,514	\$11,023,534	\$10,913,099
Fire Protection Districts	<u>23,041,828</u>	<u>23,934,962</u>	<u>29,299,354</u>	<u>28,166,738</u>
Total	\$32,879,378	\$34,263,476	\$40,322,888	\$39,079,837

Note: Revaluation of real property became effective with the Fiscal Year ended June 30, 2021 tax levy.

Tax Collections.

Fiscal Year	Total Levy for Fiscal Year	Total Collections to Date	Percentage of Levy
2019	\$198,724	\$198,505	99.89%
2020	208,210	206,937	99.39
2021	218,891	218,114	99.65
2022	236,637	236,054	99.75
2023	243,686	243,138	99.78

Source: County's Fiscal Year 2023 Annual Comprehensive Financial Report.

Note: All levies and collections in thousands.

Ten Largest Taxpayers for the Calendar Year Ended December 31, 2022.

Name	Type of Enterprise	Taxable Assessed Value	Percentage of Total Assessed Value
Mission Hospital LLP	Medical	\$ 945,898,389	2.00%
Ingles Markets, Inc.	Supermarkets	371,289,455	0.79
Raytheon Technologies Corp.	Technology	257,647,700	0.55
Biltmore Company	Tourism	150,392,261	0.32
GPI Resort Holdings LLC	Hotels/Convention Services	146,281,000	0.31
New Belgium Brewing Co. Inc.	Brewing Company	132,319,926	0.28
Eli Lilly & Company	Medicine Company	131,680,384	0.28
Pratt & Whitney	Aircraft Engines	106,126,479	0.22
Linamar North Carolina Inc.	Vehicle Component Mfg.	105,646,908	0.22
Southeastern Container Inc.	Shipping	<u>100,702,243</u>	<u>0.21</u>
Totals		\$2,447,984,745	5.18%

Source: County's Fiscal Year 2023 Annual Comprehensive Financial Report.

Budget Commentary

The total operating budget for the County is \$609.5 million. The General Fund budget for the Fiscal Year ending June 30, 2024 totals \$430.4 million, an increase of 2.2% from the Fiscal Year ended June 30, 2023 amended General Fund budget. General fund revenues are derived primarily from three sources: property tax, sales tax, and intergovernmental transfers (primarily for human services). The expenditures for the County's core businesses of education, human services and public safety total \$301.6 million, or 70% of the budget for the Fiscal Year ending June 30, 2024. County programs are funded by property taxes, fees, intergovernmental revenues, sales tax, and fund balance which in combination total 89% of revenues.

The budget for the Fiscal Year ending June 30, 2024 includes increased investment in support of teacher and staff salaries in the County school systems as well as City of Asheville school systems. In total, the funding commitment for K-12 partners is \$102.8 million. Asheville-Buncombe County Technical Community College will also receive \$8.1 million in 2024.

The tax rate for Fiscal Year ending June 30, 2024 is set at 49.8 cents per \$100 of property value. The tax rate represents a 1 cent increase from the Fiscal Year ended June 30, 2023.

The budget for the Fiscal Year ending June 30, 2024 includes a fund balance appropriation of \$18.8 million, but with sound financial and budget management, the County expects to save enough to meet its policy of maintaining a fund balance equal to at least 15% of General Fund expenditures.

Pension Plans

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

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

The System provides, on a uniform System wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Each new employer makes a normal contribution plus, where applicable, a contribution to fund any accrued liability over a 24-year period. The normal contribution rate, uniform for all employers, is currently 12.85% of eligible payroll for general employees and 14.10% of eligible payroll for law enforcement officers. The accrued liability contribution rate is determined separately for each employer and covers the liability of the employer for benefits based on employees' service rendered prior to the date the employer joins the System.

The County's contractually required contribution rate for the Fiscal Year ended June 30, 2023 of 13.04% of compensation for law enforcement officers, 12.13% for general employees and 12.14% for air quality employees, actuarially determined, is 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 \$13,885,253 for the Fiscal Year ended June 30, 2023.

Members qualify for a vested deferred benefit at age 60 after at least five years of creditable service to the unit of local government. Unreduced benefits 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 North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the County's Audited Financial Statements in *Appendix D* hereto.

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

Law Enforcement Officers' Special Separation Allowance. The County administers a public employee retirement system (the "*Separation Allowance*"), a single-employer defined benefit pension plan that provides retirement benefits to all full-time County law enforcement officers. The Separation Allowance is equal to 0.85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

At June 30, 2023, the County's Separation Allowance was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("*UAAL*") was \$9,479,366. The UAAL was measured as of December 31, 2022, based on the most recent actuarial valuation date of December 31, 2021. The covered payroll (annual payroll of active employees covered by the plan) was \$14,384,145, and the ratio of the UAAL to the covered payroll was 65.90%.

Supplemental Retirement Income Plan for Law Enforcement Officers. The County contributes to the Supplemental Retirement Income Plan (the "*Plan*"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County.

State statute requires the County contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the Fiscal Year ended June 30, 2023 were \$1,508,283, which consisted of \$1,210,099 from the County and \$298,184 from the law enforcement officers.

Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan. The County contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. In addition, the employees may elect to make voluntary contributions to the plan. Contributions for the Fiscal Year ended June 30, 2023 were \$8,718,452 which consisted of \$6,840,938 from the County and \$1,877,514 from the employees.

Register of Deeds' Supplemental Pension Fund. The County also contributes to the Register of Deeds' Supplemental Pension Fund (the "*Fund*"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government

Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. The Register of Deeds' Supplemental Pension Fund is included in the ACFR for the State. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to North Carolina Statute.

Other Post-Employment Benefits

The County provides certain post-employment health care benefits ("OPEB"). The benefit is available to retirees who participate in the North Carolina Local Government Employees Retirement System and who either (i) were hired prior to July 1, 2008, or (ii) were hired after July 1, 2008 and before July 1, 2015 and, at the time of their retirement, had at least 20 years of creditable service with the County. Employees hired after June 30, 2015 are not eligible to receive such benefits. The County pays the full cost of coverage for these benefits. Retirees can also purchase coverage for their dependents at the County's group rates. The OPEB is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. The Board of Commissioners may amend the benefit provisions.

It is the intent of the Board of Commissioners to fully or partially fund the actuarially determined contribution of the employer ("ADC") when possible with determinations made on an annual basis. The ADC for the Fiscal Year ended June 30, 2023 was \$9,623,846 based on the actuarial valuation dated June 30, 2020. For the same Fiscal Year, the County contributed \$8,857,622 or 20.01% of annual covered payroll. The County obtains healthcare coverage through a self-insured health insurance plan. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to the OPEB Plan is established and may be amended by the Board of Commissioners.

As of June 30, 2023, the most recent actuarial valuation date, the County's plan was 35.95% funded. The actuarial accrued liability for benefits was \$110,757,942, and the actuarial value of assets was \$39,820,274, resulting in a UAAL of \$70,937,668. The covered payroll (annual payroll of active employees covered by the plan) was \$44,271,905, and the ratio of UAAL to the covered payroll was 160.23%.

Further information is provided in Note 2 and the Required Supplemental Financial Data in the County's Audited Financial Statements attached hereto as ***Appendix D***.

THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION

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

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

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

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

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

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

Management Discussion and Analysis

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of Buncombe County (the County), we offer readers of the financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2023. We encourage readers to consider the information here in conjunction with additional information we have furnished in the County's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR

- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$11.0 million (net position).
- The County's total net position increased by \$38.3 million during the fiscal year. The increase was primarily caused by the governmental activities, specifically due to increased revenues combined with most categories of expenditure coming in under budget.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$228.3 million, a decrease of \$5.2 million from the prior year. Approximately 55% of this total amount, or \$126.9 million, is restricted or nonspendable.
- The County's General Fund increased fund balance by approximately \$2.6 million during the fiscal year for many of the same reasons as County's total net position increased.
- At June 30, 2023, available fund balance for the General Fund was \$86.1 million, or 21.6% of total general fund expenditures and transfers for the fiscal year which is 6.6% higher than the County's minimum fund balance policy.
- At June 30, 2023, the total amount of outstanding long-term debt was \$380.6 million, a decrease of \$43.5 million, or 10.3% from the previous fiscal year.
- Under State law, the County is responsible for providing capital funding for the school systems and community college. At the end of the fiscal year, approximately \$215 million or 56.5% of the outstanding debt on the County's financial statements is related to assets to be included in the respective entity's statements.
- The County maintains a Aaa bond rating from Moody's Investor Service and a AAA bond rating from Standard and Poor's Rating Service.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

The next statements (Exhibits 3 through 12) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds

MANAGEMENT'S DISCUSSION AND ANALYSIS

statements; 2) the budgetary comparison statements; 3) the proprietary funds statements; and 4) the fiduciary funds statements.

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Supplemental Information** is provided to show details about the County's non-major governmental funds and internal service funds, all of which are added together in one column on the basic financial statements. Budgetary information required by general statutes can also be found in this part of the statements. Following the notes is the required supplemental information. This section contains funding information about the County's pension plans.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. These statements are prepared under the full-accrual basis of accounting where all the current year's revenues and expenses are included regardless of when cash is received or paid. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net position and how it has changed. Net position is the difference between the total of the County's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following three types of activities:

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

Business-type Activities – The County charges fees to recover the costs associated with providing certain services. These activities include Solid Waste Disposal and Inmate Commissary/Welfare.

Component Units – The government-wide financial statements include not only the County of Buncombe (known as the primary government), but also a legally separate tourism development authority and a legally separate air quality agency for which the County of Buncombe is financially accountable. Financial information for these component units is reported separately from the financial information for the primary government.

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using the modified accrual accounting method which provides a current financial resources focus. As a result, the governmental fund financial

MANAGEMENT'S DISCUSSION AND ANALYSIS

statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the County's programs. The relationship between governmental activities (reported on the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements. A detailed reconciliation can be found in the notes to the financial statements.

The County adopts an annual budget for its General Fund as required by the NC General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board 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 budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The County has two kinds of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste and inmate commissary/welfare operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the functions of the County. The County uses an internal service fund to account for its insurance programs. Because this operation benefits predominately governmental rather than business-type activities, the internal service fund has been included with the governmental activities in the government-wide financial statements.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Buncombe County's own programs. Buncombe County has three fiduciary funds. One is a trust fund for the future health insurance benefits for retirees and the others are custodial funds. Information about these funds can be found on Exhibits 11 and 12 as well as the budgetary statements following the notes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide health insurance benefits to retirees and pension benefits to its law enforcement officers. Required supplementary information can be found after the notes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial condition. As shown in Figure 1, the County's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11.0 million at June 30, 2023. The County's net position increased by \$35.4 million for the fiscal year ended June 30, 2023. The largest portion of Buncombe County's net position is reflected in the County's Net Investment in Capital Assets. Buncombe County uses these capital assets to provide services to citizens;

MANAGEMENT'S DISCUSSION AND ANALYSIS

consequently, these assets are not available for future spending. Although Buncombe County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Figure 1
Net Position (in millions)

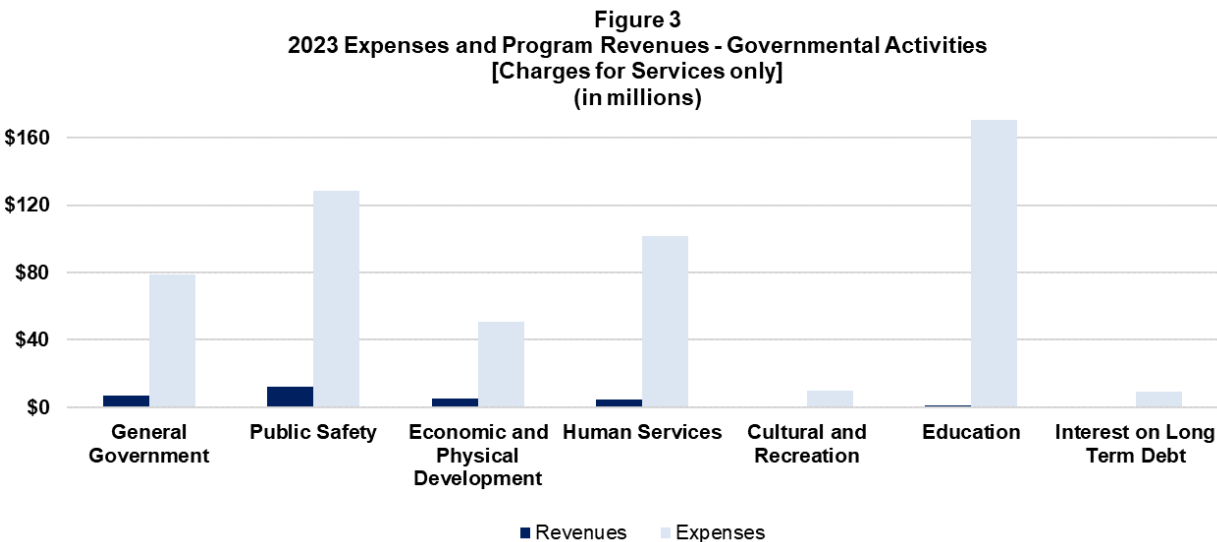
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 354.2	\$ 381.4	\$ 24.1	\$ 35.8	\$ 378.3	\$ 417.2
Capital assets	232.2	233.4	43.1	35.8	275.3	269.2
Total assets	586.4	614.8	67.2	71.6	653.6	686.4
Total deferred outflows of resources	86.6	73.0	1.8	1.5	88.4	74.5
Long-term liabilities outstanding	541.8	550.5	39.1	39.3	580.9	589.8
Other liabilities	77.1	95.8	1.6	2.6	78.7	98.4
Total liabilities	618.9	646.3	40.7	41.9	659.6	688.2
Total deferred inflows of resources	91.9	117.2	1.5	1.9	93.4	119.1
Net position:						
Net investment in capital assets	95.1	86.0	29.4	28.3	124.5	114.3
Restricted	104.1	105.6	-	-	104.1	105.6
Unrestricted	(237.1)	(267.3)	(2.5)	1.0	(239.6)	(266.3)
Total net position (deficit)	\$ (37.9)	\$ (75.7)	\$ 26.9	\$ 29.3	\$ (11.0)	\$ (46.4)

Buncombe County's governmental activities have a negative balance of \$237.1 million in unrestricted net position (deficit). As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due to the portion of the County's outstanding debt incurred for the benefit of local educational entities: the Buncombe County Board of Education, the City of Asheville Board of Education, and AB-Tech Community College. Under North Carolina law, the County is responsible for providing capital funding for these institutions. The County has chosen to meet its legal obligation by using a mixture of County funds and debt financing. The assets funded by the County, however, are owned and utilized by these institutions. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$215 million or 56.5% of the outstanding debt on the County's financial statements was related to assets included in the financial statements of the school systems and community college. The unrestricted net position of governmental activities increased by \$30.2 million from fiscal year 2022.

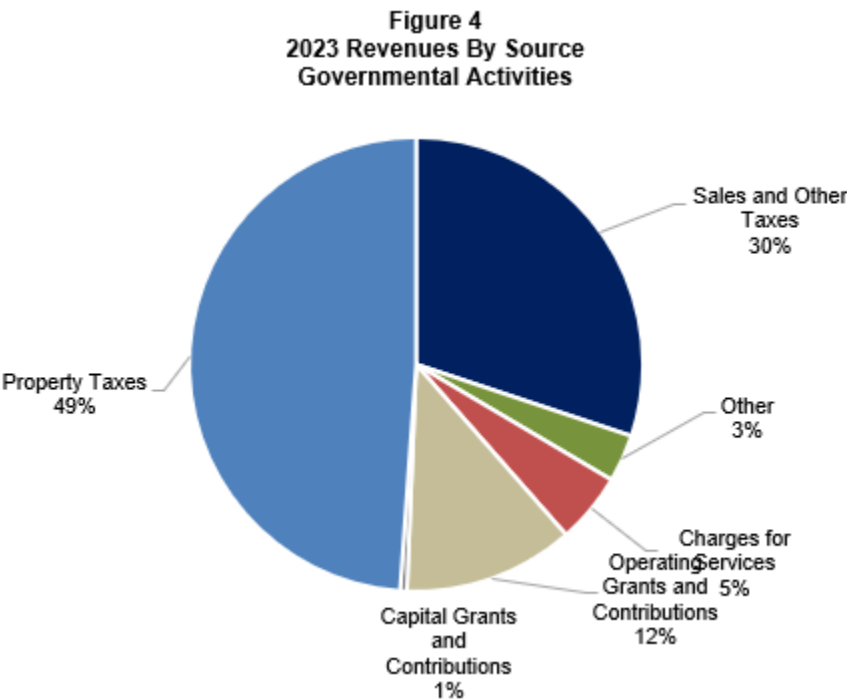
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 29.6	\$ 31.9	\$ 10.6	\$ 10.9	\$ 40.2	\$ 42.8
Operating grants and contributions	71.7	79.4	0.4	0.5	72.1	79.9
Capital grants and contributions	2.8	0.8	-	-	2.8	0.8
General revenues:						
Property taxes	288.3	277.5	-	-	288.3	277.5
Other taxes	177.7	172.5	0.8	0.7	178.5	173.2
Other	19.9	6.1	0.6	-	20.5	6.1
Total revenues	590.0	568.2	12.4	12.1	602.4	580.3
Expenses:						
General government	78.6	69.3	-	-	78.6	69.3
Public safety	128.4	113.8	-	-	128.4	113.8
Economic and physical development	50.9	46.1	-	-	50.9	46.1
Human services	101.5	106.8	-	-	101.5	106.8
Culture and recreation	10.1	7.2	-	-	10.1	7.2
Education	170.3	153.1	-	-	170.3	153.1
Interest on long-term debt	9.5	12.3	-	-	9.5	12.3
Solid waste disposal	-	-	14.4	12.0	14.4	12.0
Other	-	-	0.4	0.4	0.4	0.4
Total expenses	549.3	508.6	14.8	12.4	564.1	521.0
Increase (decrease) in net position						
Before transfers	40.7	59.6	(2.4)	(0.3)	38.3	59.3
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	40.7	59.6	(2.4)	(0.3)	38.3	59.3
Net position, beginning as originally reported	(75.7)	(135.3)	29.3	29.6	(46.4)	(105.7)
Prior period restatement - change in accounting principle	(2.9)	-	-	-	(2.9)	-
Net position (deficit), beginning	(78.6)	(135.3)	29.3	29.6	(49.3)	(105.7)
Net position (deficit), ending	\$ (37.9)	\$ (75.7)	\$ 26.9	\$ 29.3	\$ (11.0)	\$ (46.4)

MANAGEMENT’S DISCUSSION AND ANALYSIS

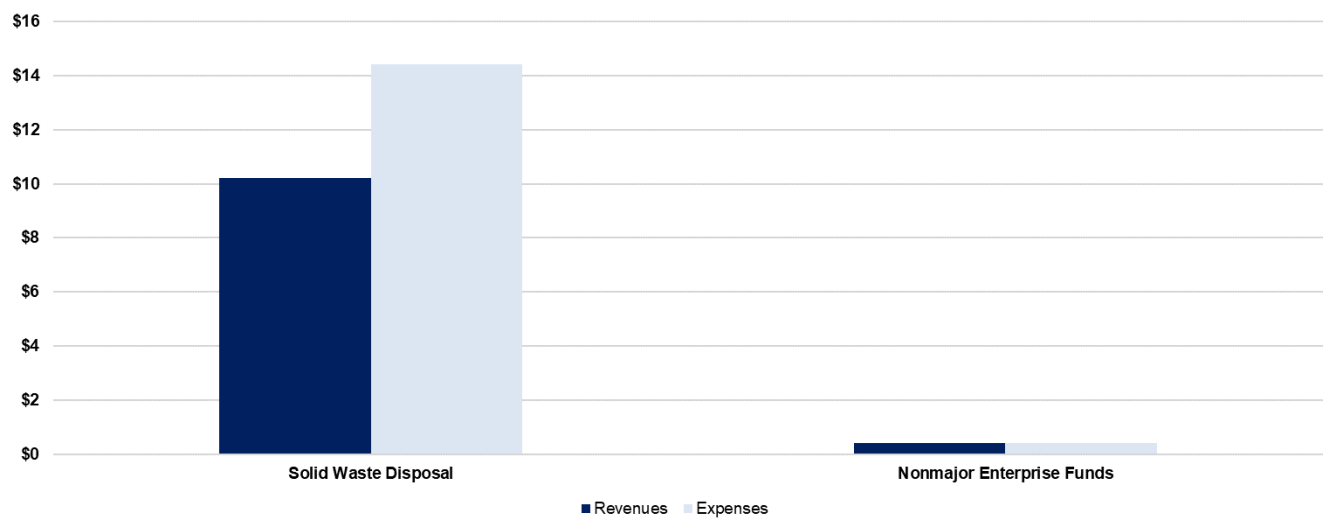


Governmental Activities. Governmental activities increased the County’s net position \$40.7 million. Increased revenues combined with most categories of expenditure coming in under budget were the primary drivers for the change in net position. Specifically, the County realized investment revenues significantly higher than projected along with continued moderate growth in ad valorem (property) and sales tax revenues.



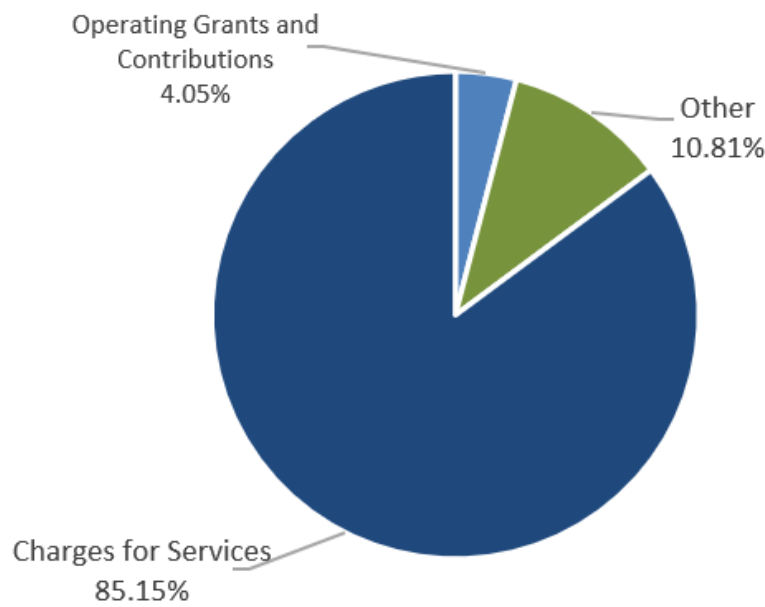
MANAGEMENT’S DISCUSSION AND ANALYSIS

Figure 5
2023 Expenses and Program Revenues - Business-Type Activities
(in millions)



Business-type Activities. Business-type activities decreased net position by \$2.4 million in fiscal year ending June 30, 2023.

Figure 6 2023 Revenues By Source Business-Type Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Buncombe County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County, along with all other local governments and public authorities in North Carolina, conducts financial management and accounting in compliance with guidance from multiple authorities. These authorities include the North Carolina General Assembly, specifically through General Statutes Chapter 159; the Local Government Commission within the North Carolina State Treasurer's Office; and, generally accepted accounting principles (GAAP) as established by the federally-established Governmental Accounting Standards Board (GASB), national and State chapter of the Government Finance Officers Association (GFOA), and other sources for best practices in accounting, fiscal management, and financial reporting.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, fund balance available for appropriation can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The County's major governmental funds include the General Fund, Public School Capital Needs Fund, AB Tech Capital Projects Fund, Public School ADM Project Fund, County Capital Projects Fund, Special Projects Capital Projects Fund, Grant Projects Fund, Occupancy Tax Fund and the Special Taxing District Fund. The remaining governmental funds are considered non-major.

At June 30, 2023, the governmental funds of Buncombe County reported a combined fund balance of \$228.3 million, a \$5.2 million decrease from last year. Of the total governmental fund balance, \$126.9 million, or 55%, is considered nonspendable or legally restricted as to use.

The General Fund is the chief operating fund of Buncombe County. At the end of the current fiscal year, Buncombe County's fund balance available in the General Fund was \$86.1 million, while total fund balance reached \$126.9 million. The Board of Commissioners has determined that the County should maintain a minimum available fund balance of 15% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 21.6% of general fund expenditures and transfers.

During the fiscal year, the County revised the General Fund budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenue \$3.9 million. The actual revenue collected was more than the final budget amount by \$12.3 million. This can be attributed to revenues exceeding budget in multiple areas. Ad Valorem Tax are budgeted based on estimated assessed values and collection rate and actual assessed values were higher than estimated. The County saw higher than anticipated building permits fees, recording fees, sales and services associated with ambulance fees and Medicaid cost settlements. As a result of the increased interest rates the County realized additional revenue through interest income.

The fund balance of the County's General Fund saw an increase of approximately \$2.6 million from the previous year; savings in all functional areas and increased general revenues contributed to this increase. This is the 11th consecutive year that the County has seen an increase in its General Fund fund balance.

The County Capital Projects Fund accounts for capital asset construction or acquisition from general government resources and financing. The total fund balance decreased \$5.0 million from \$30.7 million in fiscal year 2022 to \$25.7 million in 2023. Total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The primary cause for the decrease is normal progress and completion of project activities throughout the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Public School ADM Sales Tax/Lottery Projects Fund accounts for major capital maintenance projects for local public schools with article 40/42 sales tax and lottery funds. Once constructed, the assets will be capitalized by the local school units.

The Public School Capital Needs Fund accounts for revenues restricted for public school capital outlay projects. The total fund balance decreased \$7.7 million from \$41.4 million in fiscal year 2022 to \$33.7 million in 2023. Total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The primary cause for the decrease is normal progress and completion of project activities throughout the year.

The AB Tech Capital Project Fund accounts for revenues restricted for use on capital projects benefiting AB Tech Community College. The total fund balance increased \$2.2 million from \$18.8 million in fiscal year 2022 to \$21.0 million in 2023. Similar to other capital project funds, total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The most significant cause of the increase is increased sales tax revenues received in 2023.

The Special Projects Capital Projects Fund accounts for special projects that may not necessarily result in a capital asset for the County. The total fund balance increased \$4.6 million from \$14.2 million in fiscal year 2022 to \$18.8 million in 2023. Total fund balance can fluctuate from year to year due to the timing of collections on long-term receivables associated with affordable housing loans and project completions. The most significant causes of the increase were interfund transfers of certain multi-year economic development, conservation, and reparations funding that was previously accounted for in the General Fund.

The Grant Projects Fund accounts for revenues received from multi-year grants and related expenditures. The total fund balance decreased \$5.2 million from (\$1.9) million in fiscal year 2022 to (\$7.1) million in 2023. Total fund balance can fluctuate from year to year due to the timing of grant reimbursements and when the actual project expenditures occurred.

The Occupancy Tax Fund accounts for the revenues from the room occupancy tax to fund the development and implementation of strategies to promote tourism in Buncombe County. Occupancy tax net of collection fees is remitted to the component unit (Tourism Development Authority) to achieve this purpose.

The Special Taxing Districts Fund accounts for the revenues from property taxes and local option sales tax collected and remitted on behalf of the school districts and fire districts within Buncombe County.

Proprietary Funds. The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Disposal Fund at the end of the fiscal year amounted to (\$3.7) million. The Solid Waste Fund net position decreased \$3.88 million from fiscal year 2022. In 2023, the County completed a solid fee rate study to determine the amount to increase fees as well as managing operating expenditures so that they don't exceed revenues. The County committed to increasing the fee beginning in fiscal year 2023 and reevaluation of the fee no less than every three years.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2023, the County's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities totaled \$275.3 million. These assets include land, buildings and improvements, equipment, automotive equipment, construction in progress, and right to use assets. This is an increase of \$9.0 million, or 3%, from fiscal year 2022. This increase is primarily due to construction in progress associated with the solid waste in business-type activities, the net effect of the increase in accumulated depreciation

MANAGEMENT'S DISCUSSION AND ANALYSIS

in the governmental activities, and the initial recognition of right to use assets based on new accounting standards. See Figure 7.

Major capital asset events during the current fiscal year included the following:

- County facilities solar project
- Electric vehicle infrastructure
- Vehicles and major equipment for public safety and solid waste
- Continued major maintenance of older buildings to maintain safety and extend their useful lives
- Continued courthouse exterior renovations and jail repairs

Additional information on the County's capital assets can be found in Note 3(A)(5) Capital Assets, in the notes of the financial statements.

Figure 7
Capital Assets - Net of Depreciation
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 21.6	\$ 21.6	\$ 6.8	\$ 6.8	\$ 28.4	\$ 28.4
Buildings and improvements	182.1	187.9	32.3	19.8	214.4	207.7
Equipment	8.0	3.9	2.2	2.2	10.2	6.1
Automotive equipment	4.3	4.0	0.8	0.2	5.1	4.2
Intangibles	1.3	1.7	-	-	1.3	1.7
Construction in progress	8.2	9.1	0.2	5.6	8.4	14.7
Right-to-use	6.7	1.6	0.7	1.3	7.4	2.9
Total capital assets	<u>\$ 232.2</u>	<u>\$ 229.8</u>	<u>\$ 43.1</u>	<u>\$ 35.9</u>	<u>\$ 275.3</u>	<u>\$ 265.8</u>

Outstanding Debt. As of June 30, 2023, the County's total debt outstanding was \$380.6 million, of which \$7.2 million is debt backed by the full faith and credit of the County. Installment notes account for the remaining \$373.41 million. Collateral for these notes are the assets purchased or constructed.

As mentioned earlier, the County is required by State law to provide capital funding for the two local public school systems and the community college. At the end of the fiscal year, the outstanding balance of the debt for these activities is approximately \$215.0 million, of which \$162.8 million is for the school systems and \$52.2 million is for the community college.

State law also requires the County to provide court facilities for the State of North Carolina. At the end of the fiscal year, the outstanding balance of the debt related to courthouse facilities was \$24.0 million, or 6.3% of the total outstanding debt of the County.

As mentioned in the financial highlights section of this document, Buncombe County maintained its AAA bond rating from Standard and Poor's Corporation and received a Aaa rating with Moody's Investor Service. These bond ratings are a clear indication of the sound financial condition of Buncombe County. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure 8
Outstanding Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General Obligation Bonds	\$ 7.2	\$ 10.0	\$ -	\$ -	\$ 7.2	\$ 10.0
Installment Notes Payable	359.9	398.1	13.5	16.0	373.4	414.1
Total Outstanding Debt	\$ 367.1	\$ 408.1	\$ 13.5	\$ 16.0	\$ 380.6	\$ 424.1

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Buncombe County is \$3.9 billion. The County's policy is to limit amount of debt issued to 3% of the total assessed value of taxable property located within that government's boundaries. The County's imposed debt margin is \$1.5 billion.

Additional information regarding the County's long-term debt can be found in Note 3 (B)(7)(j) Long-Term Obligations, in the notes of the financial statements.

FISCAL YEAR 2024 BUDGET HIGHLIGHTS

The total operating budget for Buncombe County is \$609.5 million. The General Fund budget for fiscal year 2024 is \$430.4 million. This is an increase of 2.2% from the fiscal year 2023 amended General Fund budget.

The tax rate for fiscal year 2024 is set at 49.8 cents per \$100 of property value. The tax rate represents a 1 cent increase from 2023.

The FY2024 budget includes increased investments in support of teacher and staff salaries in the Asheville City and Buncombe County school systems. In total, the funding the commitment for K-12 partners is \$113.2 million. Asheville-Buncombe County Technical Community College (A-B Tech) will also receive \$8.1 million in 2024.

In addition to increased investments in education, Buncombe County Commissioners continue their commitment to priorities identified in the 2020 Strategic Plan by allocating the following in the FY2024 budget:

- \$4.9 million for environmental and energy stewardship, including \$4 million for solar on schools and public buildings
- \$9.9 million for resident well-being, including \$6.6 million for public safety such as Sheriff's Office upgrades, training equipment, and expansion of emergency medical services
- \$2.8 million for vibrant economy, including a \$250,000 increase in economic development commitments to support renovation of McCormick Field
- \$510,000 for equity as continued funding for reparations

Other community priorities funded in the FY2024 budget include:

- \$698,000 for homelessness and continuum of care
- \$3.9 million for early childhood education workforce development
- \$637,000 for infrastructure in unincorporated and growth areas

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fiscal year 2024 budget includes a fund balance appropriation of \$18.8 million. Fund balance appropriation is one of the available means to lower the burden on property tax owners. The County appropriates fund balance each year with the challenge to save the appropriated amount.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, PO Box 7526, Asheville, NC 28802. You can also call the Finance Department at 828-250-4130, visit our website at www.buncombecounty.org or send an email to FinanceInfo@buncombecounty.org.

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Financial Information

Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2023, 2022 and 2021. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Melissa Moore, Finance Director, at Buncombe County Finance Department, P.O. Box 7526, Asheville, North Carolina 28802 or on the County's website at <https://www.buncombecounty.org/governing/Depts/finance/Default.aspx>.

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, 2022. This marks the 44th consecutive year that the County has received this award. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The County believes that the annual financial report for the year ended June 30, 2023, will continue to meet the requirements under the Certificate of Achievement Program.

The County financial statements present the government-wide financial statements, which are shown on pages D-2 through D-5 of this official statement and include fund and budgetary reporting. The government-wide financial statements are prepared on the full accrual basis of accounting. The government-wide statements report capital assets and all long-term obligations, for both governmental-type and business-type activities. As a result, government officials can demonstrate operational accountability in their stewardship of public funds in the long-term, in addition to demonstrating fiscal accountability in the short-term through the budgetary statements.

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the County's ability to manage and estimate its resources. See pages D-10 through D-12 for the presentation of the County's budgetary statement.

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Net Position

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 214,798,436	\$ 21,682,502	\$ 236,480,938
Receivables (net)	12,649,692	1,103,174	13,752,866
Due from other governments	46,791,179	11,474	46,802,653
Due from primary government	-	-	-
Inventories	-	37,282	37,282
Prepays	1,244,591	-	1,244,591
Restricted cash and investments	55,238,009	1,289,816	56,527,825
Net pension asset	394,200	-	394,200
Long-term receivables	7,882,882	-	7,882,882
Lease receivable	15,252,634	-	15,252,634
Capital assets:			
Land and construction in progress	29,804,560	7,039,284	36,843,844
Other capital assets, net of depreciation	195,655,611	35,392,953	231,048,564
Right to use assets, net of amortization	6,732,725	730,817	7,463,542
Total capital assets	232,192,896	43,163,054	275,355,950
Total assets	586,444,519	67,287,302	653,731,821
DEFERRED OUTFLOWS OF RESOURCES	86,565,895	1,795,462	88,361,357
LIABILITIES			
Accounts payable and accrued expenses	29,466,302	1,496,634	30,962,936
Accrued interest payable	1,185,367	31,223	1,216,590
Payable from restricted cash	1,682,451	96,433	1,778,884
Unearned revenue	30,411,895	-	30,411,895
Other liabilities	8,194,333	-	8,194,333
Due to component unit	6,206,955	-	6,206,955
Noncurrent liabilities:			
Due within one year: Bonds, notes, lease liabilities, compensated absences, retirement liabilities	45,106,733	3,155,891	48,262,624
Due in more than one year:			
Total pension liability - LEOSSA	8,908,518	-	8,908,518
Net pension liability - LGERS	74,553,640	1,629,895	76,183,535
Net OPEB liability	74,225,346	1,622,718	75,848,064
Bonds, notes, lease liabilities, compensated absences, retirement liabilities	339,049,507	32,638,890	371,688,397
Total noncurrent liabilities	541,843,744	39,047,394	580,891,138
Total liabilities	618,991,047	40,671,684	659,662,731
DEFERRED INFLOWS OF RESOURCES	91,906,172	1,489,325	93,395,497
NET POSITION			
Net investment in capital assets	95,075,359	29,427,255	124,502,614
Restricted for:			
Stabilization by State statute	37,497,161	-	37,497,161
Capital projects	7,875,623	-	7,875,623
Education	47,177,450	-	47,177,450
Other	10,708,414	-	10,708,414
Unrestricted (deficit)	(236,220,812)	(2,505,500)	(238,726,312)
Total net position	\$ (37,886,805)	\$ 26,921,755	\$ (10,965,050)

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

	Component Units	
	Tourism	Asheville-Buncombe
	Development Authority	Air Quality Agency
ASSETS		
Cash and investments	\$ 63,340,867	\$ 736,845
Receivables (net)	6,227,286	13,038
Due from other governments	-	-
Due from primary government	-	-
Inventories	-	-
Prepays	92,549	-
Restricted cash and investments	-	-
Long-term receivables	-	-
Capital assets:	-	-
Land and construction in progress	-	-
Other capital assets, net of depreciation	-	92,794
Right to use assets, net of amortization	5,160,769	-
Total capital assets	5,160,769	92,794
Total assets	74,821,471	842,677
DEFERRED OUTFLOWS OF RESOURCES	-	380,172
LIABILITIES		
Accounts payable and accrued expenses	4,431,993	25,993
Accrued interest payable	14,157	-
Unearned revenue	-	-
Other liabilities	673,846	-
Due to component unit	-	-
Noncurrent liabilities:	-	-
Due within one year: Bonds, notes, lease liabilities, compensated absences, retirement liabilities	369,376	373,383
Due in more than one year:		
Total pension liability - LEOSA	-	-
Net pension liability - LGERS	-	-
Net OPEB liability	-	343,218
Bonds, notes, lease liabilities, compensated absences, retirement liabilities	5,032,123	-
Total noncurrent liabilities	5,401,499	716,601
Total liabilities	10,521,495	742,594
DEFERRED INFLOWS OF RESOURCES	-	311,188
NET POSITION		
Net investment in capital assets	(135,211)	92,794
Restricted for:		
Stabilization by State statute	4,178,990	-
Product development	31,150,599	-
Legacy investment in tourism	6,175,869	-
Other	-	-
Unrestricted (deficit)	22,929,729	76,273
Total net position	\$ 64,299,976	\$ 169,067

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 78,636,285	\$ 6,811,804	\$ 15,125,197	\$ -
Public safety	128,392,070	12,005,556	7,796,246	-
Economic and physical development	50,856,588	5,064,761	364,796	170,200
Human services	101,454,761	4,361,719	48,049,129	-
Cultural and recreational	10,131,965	340,064	311,894	650,000
Education	170,341,081	1,040,434	-	2,014,670
Interest on long-term debt	9,494,862	-	-	-
Total governmental activities	549,307,612	29,624,338	71,647,262	2,834,870
BUSINESS-TYPE ACTIVITIES:				
Solid Waste Disposal	14,429,606	10,228,702	505,130	-
Nonmajor enterprise funds	412,892	395,851	-	-
Total business-type activities	14,842,498	10,624,553	505,130	-
Total primary government	\$ 564,150,110	\$ 40,248,891	\$ 72,152,392	\$ 2,834,870
COMPONENT UNITS:				
Tourism Development Authority	\$ 27,349,142	\$ 213,436	\$ 35,900,567	\$ -
Asheville-Buncombe Air Quality Agency	921,479	524,898	350,217	-
Total component units	\$ 28,270,621	\$ 738,334	\$ 36,250,784	\$ -

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Payments in lieu of taxes

Investment earnings (loss), unrestricted

Grants and contributions, unrestricted

Other, unrestricted

Gain on sale of assets

Total general revenues and transfers

Change in net position

Net position, beginning, as originally reported

Prior period adjustment (Note 10)

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Asheville-Buncombe Air Quality Agency
\$ (56,699,284)	\$ -	\$ (56,699,284)		
(108,590,268)	-	(108,590,268)		
(45,256,831)	-	(45,256,831)		
(49,043,913)	-	(49,043,913)		
(8,830,007)	-	(8,830,007)		
(167,285,977)	-	(167,285,977)		
(9,494,862)	-	(9,494,862)		
(445,201,142)	-	(445,201,142)		
-	(3,695,774)	(3,695,774)		
-	(17,041)	(17,041)		
-	(3,712,815)	(3,712,815)		
(445,201,142)	(3,712,815)	(448,913,957)		
			\$ 8,764,861	\$ -
			-	(46,364)
			8,764,861	(46,364)
288,320,136	-	288,320,136	-	-
130,972,714	-	130,972,714	-	-
46,674,869	811,217	47,486,086	-	152,670
100,707	-	100,707	-	-
8,730,206	501,270	9,231,476	1,732,131	23,031
5,695,520	-	5,695,520	-	-
5,269,886	-	5,269,886	36,715	-
131,261	36,000	167,261	-	-
485,895,299	1,348,487	487,243,786	1,768,846	175,701
40,694,157	(2,364,328)	38,329,829	10,533,707	129,337
(75,708,493)	29,286,083	(46,422,410)	53,766,269	39,730
(2,872,469)	-	(2,872,469)	-	-
(78,580,962)	29,286,083	(49,294,879)	53,766,269	39,730
\$ (37,886,805)	\$ 26,921,755	\$ (10,965,050)	\$ 64,299,976	\$ 169,067

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

BUNCOMBE COUNTY, NORTH CAROLINA

Balance Sheet

Governmental Funds

JUNE 30, 2023

	General	Occupancy Tax	Special Taxing Districts	Grant Projects	Public School Capital Needs
ASSETS					
Cash and investments	\$ 113,116,079	\$ 2,899,484	\$ 1,226,121	\$ -	\$ 19,737,101
Restricted cash and investments	1,824,798	-	-	29,578,917	7,467,898
Receivables, net	6,857,424	3,357,854	140,554	467,690	-
Due from other governments	19,690,962	-	4,199,224	3,867,922	7,150,564
Due from other funds	7,868,630	-	-	-	-
Prepaid items	860,591	-	-	-	-
Long-term receivable	7,259	-	-	-	-
Lease receivable	15,252,634	-	-	-	-
Total assets	<u>\$ 165,478,377</u>	<u>\$ 6,257,338</u>	<u>\$ 5,565,899</u>	<u>\$ 33,914,529</u>	<u>\$ 34,355,563</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 13,955,809	\$ -	\$ 5,462,974	\$ 853,214	\$ 596,148
Payable from restricted cash	34,019	-	-	570,148	47,114
Unearned revenue	1,390,220	-	-	29,008,769	-
Other liabilities	3,336,719	-	-	-	-
Due to component unit	-	6,206,955	-	-	-
Due to other funds	-	50,383	-	7,014,988	-
Total liabilities	<u>18,716,767</u>	<u>6,257,338</u>	<u>5,462,974</u>	<u>37,447,119</u>	<u>643,262</u>
DEFERRED INFLOWS OF RESOURCES	<u>19,800,843</u>	<u>-</u>	<u>102,925</u>	<u>3,603,641</u>	<u>-</u>
FUND BALANCES					
Nonspendable	1,135,050	-	-	-	-
Restricted					
Stabilization by State statute	36,078,890	-	-	-	-
Education	-	-	-	-	33,712,301
Capital projects	114,723	-	-	-	-
Other	3,563,086	-	-	-	-
Assigned					
Subsequent year's expenditures	18,894,070	-	-	-	-
Capital projects	-	-	-	-	-
Human services	-	-	-	-	-
Unassigned	67,174,948	-	-	(7,136,231)	-
Total fund balances	<u>126,960,767</u>	<u>-</u>	<u>-</u>	<u>(7,136,231)</u>	<u>33,712,301</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 165,478,377</u>	<u>\$ 6,257,338</u>	<u>\$ 5,565,899</u>	<u>\$ 33,914,529</u>	<u>\$ 34,355,563</u>

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

AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	County Capital Projects	Special Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 16,074,624	\$ -	\$ 12,282,483	\$ 15,636,998	\$ 6,796,685	\$ 187,769,575
102,602	-	14,357,539	-	1,906,255	55,238,009
6,539	-	49,950	131,735	1,265,360	12,277,106
4,958,090	6,309,687	-	76,719	538,011	46,791,179
-	-	-	-	-	7,868,630
-	-	-	-	-	860,591
-	-	-	7,875,623	-	7,882,882
-	-	-	-	-	15,252,634
<u>\$ 21,141,855</u>	<u>\$ 6,309,687</u>	<u>\$ 26,689,972</u>	<u>\$ 23,721,075</u>	<u>\$ 10,506,311</u>	<u>\$ 333,940,606</u>

\$ 10,792	\$ 5,548,986	\$ 140,027	\$ 286,552	\$ 413,474	\$ 27,267,976
95,414	-	823,961	-	111,795	1,682,451
-	-	-	-	12,906	30,411,895
-	-	-	4,677,785	179,829	8,194,333
-	-	-	-	-	6,206,955
-	760,701	-	-	42,558	7,868,630
<u>106,206</u>	<u>6,309,687</u>	<u>963,988</u>	<u>4,964,337</u>	<u>760,562</u>	<u>81,632,240</u>
-	-	-	-	434,400	23,941,809

-	-	-	-	-	1,135,050
-	-	-	-	1,418,271	37,497,161
21,035,649	-	-	-	-	54,747,950
-	-	14,357,539	7,875,623	-	22,347,885
-	-	-	-	6,751,128	10,314,214
-	-	-	-	-	18,894,070
-	-	11,368,445	10,881,115	-	22,249,560
-	-	-	-	1,190,917	1,190,917
-	-	-	-	(48,967)	59,989,750
<u>21,035,649</u>	<u>-</u>	<u>25,725,984</u>	<u>18,756,738</u>	<u>9,311,349</u>	<u>228,366,557</u>

\$ 21,141,855 \$ 6,309,687 \$ 26,689,972 \$ 23,721,075 \$ 10,506,311

Amounts reported for governmental activities in the statement of
net position (Exhibit 1) are different:

Reconciliation to full accrual basis of accounting (see Note 1) (266,253,362)
Net position (deficit) of governmental activities \$ (37,886,805)

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2023

	General	Occupancy Tax	Special Taxing Districts	Grant Projects	Public School Capital Needs
REVENUES					
Ad valorem taxes	\$ 244,033,754	\$ -	\$ 43,088,718	\$ -	\$ -
Incremental tax revenue	-	-	-	-	-
Local option sales taxes	44,650,927	-	16,534,510	-	28,311,666
Other taxes and licenses	10,226,631	36,448,238	-	-	-
Unrestricted intergovernmental	5,542,083	-	-	-	-
Restricted intergovernmental	45,232,296	-	-	20,023,412	189,354
Permits and fees	5,573,697	-	-	-	-
Sales and services	23,086,737	-	-	-	-
Investment earnings (loss)	6,852,840	-	-	-	897,675
Other	697,763	-	-	1,724,352	-
Total revenues	385,896,728	36,448,238	59,623,228	21,747,764	29,398,695
EXPENDITURES					
Current:					
General government	65,481,271	-	-	11,695,910	-
Public safety	79,947,631	-	43,765,990	4,098,912	-
Economic and physical development	7,326,317	36,448,238	-	82,467	-
Human services	89,497,217	-	-	7,140,033	-
Cultural and recreational	9,061,236	-	-	4,259,379	-
Education	109,038,706	-	15,857,238	-	-
Capital outlay	-	-	-	-	14,720,639
Debt service:					
Principal retirement	15,880,047	-	-	-	15,389,339
Interest and fees	5,783,036	-	-	-	6,951,140
Total expenditures	382,015,461	36,448,238	59,623,228	27,276,701	37,061,118
Revenues over (under) expenditures	3,881,267	-	-	(5,528,937)	(7,662,423)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	8,435,519	-	-	335,125	-
Transfers to other funds	(15,658,543)	-	-	-	-
Lease liabilities issued	5,951,567	-	-	-	-
Sale of capital assets	36,903	-	-	-	-
Total other financing sources (uses)	(1,234,554)	-	-	335,125	-
Net changes in fund balances	2,646,713	-	-	(5,193,812)	(7,662,423)
Fund balances, beginning as originally reported	124,314,054	-	-	(1,942,419)	41,374,724
Prior period restatement- error correction	-	-	-	-	-
Fund balances, beginning	124,314,054	-	-	(1,942,419)	41,374,724
Fund balances, ending	\$ 126,960,767	\$ -	\$ -	\$ (7,136,231)	\$ 33,712,301

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

AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	County Capital Projects	Special Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,122,472
-	-	-	-	447,833	447,833
19,685,163	21,790,448	-	-	-	130,972,714
-	-	-	-	-	46,674,869
-	-	-	153,438	-	5,695,521
-	1,825,316	650,000	170,200	4,628,701	72,719,279
-	-	-	-	410,087	5,983,784
-	-	-	-	1,040,434	24,127,171
407,135	-	282,705	-	139,520	8,579,875
-	-	1,249,200	90,654	1,688,500	5,450,469
20,092,298	23,615,764	2,181,905	414,292	8,355,075	587,773,987
-	-	-	-	490,247	77,667,428
-	-	-	-	653,388	128,465,921
-	-	-	-	9,338	43,866,360
-	-	-	-	4,514,005	101,151,255
-	-	-	-	39,629	13,360,244
-	-	-	-	1,040,434	125,936,378
5,937,245	23,615,764	5,517,160	7,659,518	155,054	57,605,380
4,902,214	-	-	-	461,946	36,633,546
2,098,024	-	-	-	392,188	15,224,388
12,937,483	23,615,764	5,517,160	7,659,518	7,756,229	599,910,900
7,154,815	-	(3,335,255)	(7,245,226)	598,846	(12,136,913)
-	-	1,803,066	11,807,845	1,712,507	24,094,062
(5,000,000)	-	(3,408,895)	-	(26,624)	(24,094,062)
-	-	-	-	219,987	6,171,554
-	-	-	-	95,075	131,978
(5,000,000)	-	(1,605,829)	11,807,845	2,000,945	6,303,532
2,154,815	-	(4,941,084)	4,562,619	2,599,791	(5,833,381)
18,880,834	-	30,667,068	14,194,119	6,090,120	233,578,500
-	-	-	-	621,438	621,438
18,880,834	-	30,667,068	14,194,119	6,711,558	234,199,938
\$ 21,035,649	\$ -	\$ 25,725,984	\$ 18,756,738	\$ 9,311,349	\$ 228,366,557

Amounts reported for governmental activities in the statement of activities (Exhibit 2)
are different:

Net changes in fund balances - total governmental funds	\$ (5,833,381)
Reconciliation to full accrual basis of accounting (see Note 1)	46,527,538
Total change in net position (deficit) of governmental activities	<u>\$ 40,694,157</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 5

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

FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 240,309,247	\$ 240,309,247	\$ 244,033,754	\$ 3,724,507
Local option sales taxes	47,527,393	47,527,393	44,650,927	(2,876,466)
Other taxes and licenses	11,018,000	11,018,000	10,226,631	(791,369)
Unrestricted intergovernmental	625,000	1,524,415	5,542,083	4,017,668
Restricted intergovernmental	45,189,756	47,900,362	45,232,296	(2,668,066)
Permits and fees	5,210,000	5,210,000	5,573,697	363,697
Sales and services	17,858,468	18,108,468	23,086,737	4,978,269
Investment earnings (loss)	550,000	550,000	6,852,840	6,302,840
Other	1,462,724	1,515,618	701,711	(813,907)
Total revenues	369,750,588	373,663,503	385,900,676	12,237,173
EXPENDITURES				
Current:				
General government	68,346,039	75,342,138	65,481,271	9,860,867
Public safety	82,592,325	83,046,018	79,947,631	3,098,387
Economic and physical development	8,827,753	9,366,826	7,326,317	2,040,509
Human services	91,644,505	94,652,485	89,497,217	5,155,268
Culture and recreation	9,879,778	9,966,490	9,061,236	905,254
Intergovernmental:				
Education	109,226,848	109,226,848	109,038,706	188,142
Total current expenditures	370,517,248	381,600,805	360,352,378	21,248,427
Debt service:				
Principal retirement			15,880,046	
Interest and other charges			5,783,037	
Total debt service	19,066,043	23,887,958	21,663,083	2,224,875
Total expenditures	389,583,291	405,488,763	382,015,461	23,473,302
Revenues over (under) expenditures	(19,832,703)	(31,825,260)	3,885,215	35,710,475
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	12,434,241	12,434,241	8,435,519	(3,998,722)
Transfers to other funds	(8,649,190)	(15,658,543)	(15,658,543)	-
Lease liabilities issued	-	12,000,000	5,951,567	(6,048,433)
Sales of capital assets	100,000	100,000	36,903	(63,097)
Appropriated fund balance	15,947,652	22,949,562	-	(22,949,562)
Total other financing sources (uses)	19,832,703	31,825,260	(1,234,554)	(33,059,814)
Net change in fund balance	\$ -	\$ -	2,650,661	\$ 2,650,661
Reconciliation from budgetary basis to GAAP:				
Reconciling items:				
Net collections on long-term loans			(3,948)	
Change in fund balance			2,646,713	
Fund balance, beginning			124,314,054	
Fund balance, ending			\$ 126,960,767	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 6

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

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Occupancy tax	\$ 46,000,000	\$ 36,448,238	\$ (9,551,762)
EXPENDITURES			
Current:			
Economic and physical development:			
Tourism development	46,000,000	36,448,238	9,551,762
Revenues over expenditures	-	-	-
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 7

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Special Taxing Districts

FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes		\$ 43,088,718	
Local option sales taxes		16,534,510	
Total revenues	\$ 64,064,144	59,623,228	\$ (4,440,916)
EXPENDITURES			
Current:			
Public safety:			
Volunteer fire departments		43,765,990	
Education:			
Asheville City Schools		15,857,238	
Total expenditures	64,064,144	59,623,228	4,440,916
Net change in fund balance	\$ -	-	\$ -
Fund balance, beginning		-	
Fund balance, ending		\$ -	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 8

Statement of Net Position

Proprietary Funds

JUNE 30, 2023

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
ASSETS				
Current assets:				
Cash and investments	\$ 20,590,635	\$ 1,091,867	\$ 21,682,502	\$ 27,028,860
Restricted cash and cash equivalents	1,289,816	-	1,289,816	-
Receivables, net	1,098,641	4,533	1,103,174	6,577
Due from other governments	11,474	-	11,474	-
Prepays	-	-	-	384,000
Inventories	37,282	-	37,282	-
Total current assets	23,027,848	1,096,400	24,124,248	27,419,437
Noncurrent assets:				
Capital assets:				
Land, improvements, and construction in progress	7,039,284	-	7,039,284	-
Other capital assets, net of depreciation	35,333,774	59,179	35,392,953	-
Right to use assets, net of amortization	730,817	-	730,817	-
Total capital assets	43,103,875	59,179	43,163,054	-
Total noncurrent assets	43,103,875	59,179	43,163,054	-
Total assets	66,131,723	1,155,579	67,287,302	27,419,437
DEFERRED OUTFLOWS OF RESOURCES	1,744,169	51,293	1,795,462	-
LIABILITIES				
Current liabilities:				
Accounts payable	1,260,337	113,633	1,373,970	560,933
Accrued interest payable	31,223	-	31,223	-
Payable from restricted cash	96,433	-	96,433	-
Salaries and payroll taxes payable	120,073	2,591	122,664	15,785
Compensated absences	232,876	9,343	242,219	-
Other liabilities	-	-	-	1,621,608
Installment obligations payable, current portion	2,470,000	-	2,470,000	-
Lease obligations payable, current portion	443,672	-	443,672	-
Total current liabilities	4,654,614	125,567	4,780,181	2,198,326
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	21,296,958	-	21,296,958	-
Net OPEB liability	1,576,360	46,358	1,622,718	-
Net pension liability - LGERS	1,583,332	46,563	1,629,895	-
Installment obligations payable	11,059,000	-	11,059,000	-
Lease obligations payable	282,932	-	282,932	-
Total noncurrent liabilities	35,798,582	92,921	35,891,503	-
Total liabilities	40,453,196	218,488	40,671,684	2,198,326
DEFERRED INFLOWS OF RESOURCES	1,446,777	42,548	1,489,325	-
NET POSITION				
Net investment in capital assets	29,368,076	59,179	29,427,255	-
Unrestricted (deficit)	(3,392,157)	886,657	(2,505,500)	25,221,111
Total net position	\$ 25,975,919	\$ 945,836	\$ 26,921,755	\$ 25,221,111

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 9

Statement of Revenues, Expenses, and Change in Net Position

Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
OPERATING REVENUES				
Charges for services	\$ 10,228,702	\$ 395,851	\$ 10,624,553	\$ 36,874,722
Other	505,130	-	505,130	3,656,340
Total operating revenues	10,733,832	395,851	11,129,683	40,531,062
OPERATING EXPENSES				
Salaries, wages, and fringe benefits	3,699,583	55,333	3,754,916	542,343
Contracted services		101,142	101,142	
Cost of products sold		64,273	64,273	
Other operating expenses	5,204,138	162,705	5,366,843	3,485,263
Landfill closure and postclosure care costs	2,263,626	-	2,263,626	-
Depreciation	2,245,837	29,439	2,275,276	-
Amortization	566,366	-	566,366	-
Insurance premiums	-	-	-	1,683,912
Claims	-	-	-	33,721,271
Total operating expenses	13,979,550	412,892	14,392,442	39,432,789
Operating income (loss)	(3,245,718)	(17,041)	(3,262,759)	1,098,273
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	474,857	26,413	501,270	-
Disposal taxes	811,217	-	811,217	-
Interest and other charges	(450,056)	-	(450,056)	-
Gain on disposal of assets	36,000	-	36,000	-
Total nonoperating revenues (expenses)	872,018	26,413	898,431	-
Change in net position	(2,373,700)	9,372	(2,364,328)	1,098,273
Net position, beginning	28,349,619	936,464	29,286,083	24,122,838
Net position, ending	\$ 25,975,919	\$ 945,836	\$ 26,921,755	\$ 25,221,111

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2023

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 9,967,198	\$ 395,124	\$ 10,362,322	\$ 37,111,171
Cash paid for goods and services	(6,271,724)	(285,710)	(6,557,434)	(38,256,036)
Cash paid to employees for services	(3,830,445)	(123,804)	(3,954,249)	(571,633)
Other operating revenue	686,450	-	686,450	3,656,340
Net cash provided (used) by operating activities	551,479	(14,390)	537,089	1,939,842
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental revenues	811,217	-	811,217	-
Net cash provided by noncapital financing activities	811,217	-	811,217	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(10,158,705)	-	(10,158,705)	-
Proceeds from disposal of capital assets	36,000	-	36,000	-
Principal paid on installment obligation	(2,470,000)	-	(2,470,000)	-
Principal paid on lease obligations	(563,665)	-	(563,665)	-
Interest and fees paid on long-term liabilities	(427,543)	-	(427,543)	-
Net cash used by capital and related financing activities	(13,583,913)	-	(13,583,913)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	474,857	26,413	501,270	-
Net cash provided by investing activities	474,857	26,413	501,270	-
Net increase (decrease) in cash and investments	(11,746,360)	12,023	(11,734,337)	1,939,842
Cash and investments, beginning of year	33,626,811	1,079,844	34,706,655	25,089,018
Cash and investments, end of year	\$ 21,880,451	\$ 1,091,867	\$ 22,972,318	\$ 27,028,860

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

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (3,245,718)	\$ (17,041)	\$ (3,262,759)	\$ 1,098,273
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	2,245,837	29,439	2,275,276	-
Amortization	566,366	-	566,366	-
Landfill closure and postclosure care costs	2,116,364	-	2,116,364	-
Changes in assets, liabilities and deferred outflows and inflows of resources:				
Accounts receivable	(80,181)	(727)	(80,908)	236,449
Inventories	11,205	-	11,205	-
Deferred outflows of resources - pensions	(390,007)	1,183	(388,824)	-
Net pension liability	1,144,180	25,227	1,169,407	-
Deferred inflows of resources - pensions	(606,848)	(30,172)	(637,020)	-
Accounts payable	(931,532)	42,410	(889,122)	634,410
Salaries and payroll taxes payable	(49,369)	(10,788)	(60,157)	(29,290)
Deferred outflows of resources - OPEB	79,393	17,171	96,564	-
Net OPEB liability	(484,256)	(53,755)	(538,011)	-
Deferred inflows of resources - OPEB	172,068	(18,694)	153,374	-
Accrued compensated absences	3,977	1,357	5,334	-
Total adjustments	3,797,197	2,651	3,799,848	841,569
Net cash provided (used) by operating activities	\$ 551,479	\$ (14,390)	\$ 537,089	\$ 1,939,842

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 11

*Statement of Fiduciary Net Position**Fiduciary Funds*

JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,451,970
Investments:		
State Treasurer Short Term Investment Fund	7,561,724	-
State Treasurer Bond Index Fund	2,827,977	-
Mutual funds	29,430,573	-
Receivables, net	-	405,453
Total assets	<u>39,820,274</u>	<u>1,857,423</u>
LIABILITIES		
Accounts payable and accrued liabilities	-	25,472
Due to other governments	-	1,309,456
Total liabilities	<u>-</u>	<u>1,334,928</u>
NET POSITION		
Restricted for:		
Postemployment benefits other than pensions	39,820,274	-
Individuals and other governments	-	522,495
Total net position	<u>\$ 39,820,274</u>	<u>\$ 522,495</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 12

Statement of Changes in Fiduciary Net Position

FOR THE YEAR ENDED JUNE 30, 2023

	OPEB Trust Fund	Custodial Funds
ADDITIONS		
Employer contributions	\$ 8,857,662	\$ -
Investment income:		
Interest and dividends	165,361	-
Loss on sales of investments	53,912	-
Net appreciation in fair value of investments	4,035,117	-
Less: investment management fees	(5,669)	-
Investment income, net	4,248,721	-
Ad valorem taxes collected for other governments	-	98,747,024
Collections on behalf of inmates	-	1,045,894
Total additions	13,106,383	99,792,918
DEDUCTIONS		
Benefit payments	6,857,662	-
Tax distributions to other governments	-	98,704,745
Payments on behalf of inmates	-	998,910
Total deductions	6,857,662	99,703,655
Change in net position	6,248,721	89,263
NET POSITION		
Beginning, as previously reported	33,571,553	433,232
Ending	\$ 39,820,274	\$ 522,495

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

BUNCOMBE COUNTY, NORTH CAROLINA
Notes to the Financial Statements
For the Year Ended June 30, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Buncombe County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

(A) Reporting Entity

The County, which is governed by a seven-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by generally accepted accounting principles, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. Buncombe County Industrial Facility and Pollution Control Financing Authority (the Authority) exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority has no financial transactions or account balances; therefore, it is not presented in the basic financial statements. The OPEB Trust Fund holds funds used to provide postretirement benefits to qualifying employees of the County and the Asheville-Buncombe Air Quality Agency. It is presented as a fiduciary fund in the financial statements. Buncombe County Tourism Development Authority (the Tourism Development Authority) and Asheville-Buncombe Air Quality Agency (the Agency), which have a June 30 year-end, are presented as if they are separate governmental funds of the County (discrete presentation). The discretely presented component units listed below are reported in separate columns in the County's financial statements in order to emphasize that they are legally separate from the County. Buncombe County Service Foundation, Inc. (the Foundation) meets the blending requirements of Governmental Accounting Standards Board (GASB) Statement No. 80, and is therefore presented as a special revenue fund of the County.

Component Unit	Reporting Method	Criteria for Inclusion	Separate Financial Statements
Buncombe County Industrial Facility and Pollution Control Financing Authority	Discrete	The Authority is governed by a seven-member board of commissioners that is appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause.	None issued (no amounts have been presented because no financial transactions or account balances exist).
OPEB Trust Fund	Fiduciary Fund	The OPEB Trust Fund provides postretirement healthcare benefits to qualifying employees of the County and the WNC Regional Air Quality component unit. The trust was formed by the decision of the County Commissioners.	None issued.
Buncombe County Tourism Development Authority	Discrete	The Tourism Development Authority is governed by members appointed by the County Commissioners, the Asheville City Council, and the Asheville Area Chamber of Commerce. The Development Authority derives its revenues through a special room occupancy tax which is authorized by, and may be repealed by, the County Commissioners.	Tourism Development Authority Post Office Box 1010 Asheville, North Carolina 28812

Buncombe County Service Foundation, Inc.	Blended	The Foundation is a 501(c)(3) nonprofit organization that supports the programs of Buncombe County Government with an emphasis on health and human services activities. The Foundation undertakes projects to improve access to health, safety, independence, wellness, recreation, and community services in alignment with Buncombe County sustainability goals. The Foundation is managed through a three-member board of directors, as appointed by the Buncombe County Manager. The Foundation's budget is adopted on an annual basis by the Foundation board. The Foundation has no corporate members, however the County provides financial assistance as well as operational staff and other non-monetary support.	None issued.
Asheville-Buncombe Air Quality Agency	Discrete	The Agency was established by an interlocal agreement between the City of Asheville (City) and the County pursuant to State statute. The governing board members are selected by the County Commissioners and the Asheville City Council. The County and the City are responsible for financing any operating deficits of the Agency and the County shall provide personnel and financial services in that all employees of the Agency shall be County employees subject to the Buncombe County personnel plan in all respects except for the Agency Director, which shall serve at the pleasure of the Agency Board. The County will also provide financial, payroll and bookkeeping services for the Agency with cost of services and personnel to be reimbursed by the Agency in accordance with the County cost allocation plan. The Agency's budget is adopted on an annual basis by the Agency board.	None issued.

(B) Basis of Presentation, Basis of Accounting**Basis of Presentation, Measurement Focus – Basis of Accounting**

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities are generally 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. 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 non-major funds.

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

The County reports the following major governmental funds:

General Fund: This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The Reappraisal Reserve budgeted fund is consolidated into the General Fund for reporting purposes.

Occupancy Tax Fund: This fund accounts for the revenues from room occupancy tax used to fund the development and implementation of strategies to promote tourism in Buncombe County. Occupancy tax, net of collection fees, is remitted to the Tourism Development Authority component unit to achieve this purpose.

Grant Projects Fund: This fund accounts for revenues received from multi-year grants and related expenditures.

Public School Capital Needs Fund: This fund accounts for construction related to local public schools funded by article 39 sales tax and general obligation bonds and installment obligations serviced by the tax. Once constructed, the assets will be capitalized by the local school units.

AB Tech Capital Projects Fund: This fund is used to account for capital improvements to Asheville-Buncombe Technical Community College (ABTCC). Sales tax and installment obligations are used to finance these projects. Once completed, these assets will be capitalized by ABTCC.

Public School ADM Sales Tax/Lottery Projects Fund: This fund accounts for major capital maintenance projects for local public schools with article 40/42 sales tax and lottery funds. Once constructed, the assets will be capitalized by the local school units.

County Capital Projects Fund: This fund accounts for capital asset construction or acquisition from general government resources and financing. Assets constructed or acquired by this fund will be owned by the County.

Special Projects Capital Projects Fund: This fund accounts for special projects that may not necessarily result in a capital asset for the County.

Special Taxing Districts: This fund accounts for ad valorem tax revenues levied and collected by the County on behalf of 20 special fire protection districts and the Asheville City Schools Supplemental Taxing District. It also accounts for sales tax revenues as distributed by the State and passed through the County to these entities.

The County reports the following major enterprise fund:

Solid Waste Disposal Fund: This fund accounts for landfill operations. For financial reporting purposes, the Landfill Capital Projects budgeted fund has been consolidated into this fund.

The County reports the following fund types:

Internal Service Fund: The Internal Service fund is used to account for the accumulation and allocation of costs associated with the County's self-insured group health and dental insurance program, and other insurance and risk-related programs.

Trust Funds: Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans.

The OPEB Trust Fund is used for the accumulation of funds and the payment of other post-employment benefit costs related to health benefits.

Custodial Funds: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for assets the County holds on behalf of others that meet certain criteria. The County maintains the following custodial funds: the Municipal Tax Fund, which accounts for ad valorem and vehicle property taxes that are billed and collected by the County for various municipalities in the County but that are not revenues to the County, and the Inmate Trust Fund, which accounts for the revenues and expenditures of activity funds belonging to inmates during the period of incarceration.

Non-major Funds: The County maintains these additional legally budgeted special revenue funds: the Emergency Telephone System Fund, the Register of Deeds Automation Fund, the Register of Deeds Fund, the Representative Payee Fund, the Sondley Estate Trust, the Transportation Fund, the Drug Forfeitures Fund, the School Fines and Forfeitures Fund, the Opioid Settlement Fund, the PDF Woodfin Downtown Fund, and the Buncombe County Service Foundation blended component unit presented as a fund. The Reappraisal Reserve Fund is legally budgeted, but is consolidated into the General Fund for reporting purposes. The County also maintains a non-major capital projects fund: Housing and Open Space Bond Projects

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation 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 financing through leases are reported as other financing sources.

The County considers revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. As of September 1, 2013, State Law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and

collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered.

Sales taxes and certain intergovernmental revenues, such as 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

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

(C) Budgetary Data

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Taxing Districts Fund, Emergency Telephone System Fund, Occupancy Tax Fund, Register of Deeds Automation Fund, Register of Deeds Fund, Representative Payee Fund, Opioid Settlement Fund, Drug Forfeitures Fund, School Fines and Forfeitures Fund, PDF Woodfin Downtown Fund, Sondley Estate Trust Fund, Transportation Fund, the Reappraisal Reserve Fund, the Buncombe County Service Foundation, Inc., and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the County Capital Projects Fund, the Public School Capital Needs Fund, the AB Tech Capital Projects Fund, the Public School ADM Sales Tax/Lottery Projects Fund, the Grant Projects Fund, the Special Projects Capital Projects Funds, the Opioid Settlement Fund, the Housing and Open Space Bond Projects Fund, and the enterprise capital projects fund, which is consolidated with the enterprise operating funds for reporting purposes.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund and the governing board must approve all amendments. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$75,000 per expenditure; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$75,000 per expenditure must be approved by the governing board. 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.

(D) Assets, Liabilities, Deferred Inflows and Outflows of Resources and Fund Equity

(1) Deposits and Investments

All deposits of the County, Buncombe County Tourism Development Authority, and Asheville-Buncombe Air Quality Agency (Agency), are made in board-designated official depositories and are secured as required by North Carolina General Statute (G.S.) 159-31. The County, Tourism Development Authority, and Agency may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, the County, Tourism Development Authority, and Agency may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the County, Tourism Development Authority, and Agency 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, local government investment pools and the North Carolina Capital Management Trust (NCCMT).

The NCCMT Cash Portfolio and North Carolina Local Government Investment Pool (NCLGIP), are SEC-registered 2a7 external investment pools and are measured at amortized cost. The County pools moneys from several funds to facilitate disbursement and investment and maximize investment income. Income from pooled

moneys is allocated to participating funds based on the funds' respective share of total pooled cash and investments. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County, Tourism Development Authority, and Agency's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earning investment contracts are reported at cost.

G.S. 159-30.1 allows the County to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC and G.S. 159-30(g) allows the County to make contributions to the Trust. The State Treasurer in his discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G.S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF) consisting of short to intermediate treasuries, agencies and corporate issues authorized by G.S. 147-69.1, the Bond Index Fund (BIF) consisting of high quality debt securities eligible under G.S. 147-69.2(b)(1)-(6), and BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund, a common trust fund considered to be commingled in nature authorized under G.S. 147-69.2(b)(8).

STIF investments are measured at fair value by the custodian using Level 2 inputs. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2023 of 0.9 years. BIF does not have a credit rating, was valued at \$1 per unit and had an average maturity of 8.75 years at June 30, 2023.

BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2023 the fair value of the fund was \$31.8158 per share. Fair value for this fund is determined using Level 1 inputs.

(2) Cash and Cash Equivalents

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

(3) Restricted Assets

Unexpended bond and grant proceeds are classified as restricted assets within the governmental funds because their use is completely restricted to the purpose for which the bonds and grants were originally issued. Money in the Reappraisal Reserve Fund, which is combined with the General Fund for reporting purposes, is classified as restricted assets because its use is restricted per North Carolina General Statute 153A-150.

Governmental Activities:

General Fund	Unexpended bond proceeds	\$ 114,723
General Fund	Unexpended grant proceeds	1,390,219
General Fund	Reserve for tax reappraisal	285,837
General Fund	Payables from restricted cash	34,019
Opioid Settlement Fund	Unexpended settlement proceeds	1,780,375
Opioid Settlement Fund	Payables from restricted cash	111,795
Grant Projects Fund	Unexpended grant proceeds	29,008,769
Grant Projects Fund	Payables from restricted cash	570,148
County Capital Projects Fund	Unexpended bond proceeds	13,533,578
County Capital Projects Fund	Payables from restricted cash	823,961
Public School Capital Needs Fund	Unexpended bond proceeds	7,420,784
Public School Capital Needs Fund	Payables from restricted cash	47,114
AB Tech Capital Projects Fund	Unexpended bond proceeds	7,188
AB Tech Capital Projects Fund	Payables from restricted cash	95,414
Other Governmental Funds	Unexpended bond proceeds	1,179
Other Governmental Funds	Unexpended grant proceeds	12,906
Total Governmental Activities		<u>\$ 55,238,009</u>

Business-Type Activities		
Solid Waste Disposal	Unexpended bond proceeds	\$ 1,193,383
Solid Waste Disposal	Payables from restricted cash	96,433
Total Business-Type Activities		<u>\$ 1,289,816</u>
Total restricted cash		<u>\$ 56,527,825</u>

(4) Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2023.

(5) Lease Receivable

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

(6) 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 and the age of individual outstanding balances.

(7) Inventories and Prepaid Items

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventory of the County's enterprise funds consists of materials and supplies held for consumption or resale. The cost of the inventory carried in the County's enterprise funds is recorded as an expense as it is consumed or sold.

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

Prepaid items for the County's governmental funds are treated using the consumption method.

(8) Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value. The minimum capitalization cost is \$25,000 (except for land and vehicles, which are capitalized regardless of cost). The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The County holds title to certain Buncombe County Board of Education, Asheville City Board of Education and AB-Tech Community College properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs. Agreements between the County and the respective boards give the school systems full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the boards once all restrictions of the financing agreements have been met. The properties are reflected as capital assets in the financial statements of the school systems.

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

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

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

Capital assets of the County and Asheville-Buncombe Air Quality Agency are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Improvements	20
Furniture and equipment	5-10
Intangibles	5
Vehicles	3-5

(9) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then. The County has several items that meet the criterion for this category – advance receipt of ad valorem taxes, unavailable revenues (reported only on the Balance Sheet of the Governmental Funds), leases, subscriptions, and pension and OPEB related deferrals.

(10) Long-term Obligations

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position. Bond and installment note premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Bond and installment notes payable are reported net of the applicable bond premiums or discount. Debt issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred.

In fund financial statements, governmental fund types recognize bond and note premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(11) Compensated Absences

County personnel policies permit an employee to accumulate vacation earned in the equivalent of two years of service, with any accrual in excess of two years converted to sick leave on January 1 of each year. In addition, non-exempt employees who work beyond the normal working day in conducting County business earn compensatory time at one and one-half hours for each hour actually worked. Upon termination any unexpired entitlement is due to the employee. For the County's government-wide financial statements and proprietary fund types in the fund financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The County's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated may be used in the determination of length of service for retirement benefit purposes. Since the County has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

(12) Opioid Settlement Funds

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmericourceBergen, 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:

1. 15% directly to the State ("State Abatement Fund")
2. 80% to abatement funds established by Local Governments ("Local Abatement Funds")
3. 5% to a County Incentive Fund

The County received \$1,475,566 as part of this settlement in Fiscal Year 2023. Per the terms of the MOA, the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities. Funds are restricted until expended. As of June 30th, 2023, the County has spent \$352,612. The MOA offered the County two options of expending the funds. The County chose Option A, which allows the County to fund one or more high-impact strategies from a list of evidence-based strategies to combat the opioid epidemic.

(13) Reimbursements for Pandemic Related Expenditures

In FY 2020-21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The County was allocated \$50,733,290 of fiscal recovery funds to be paid in two equal installments. The first installment of \$25,366,645 was received in May 2021. The second installment was received in June 2022. County staff and the Board of Commissioners elected to use \$1,023,750 of the ARPA funds for premium pay. The County plans to use the remainder of the funds as follows: \$10,000,000 for revenue replacement, \$33,528,670 to address public health and negative economic impacts, and \$6,000,000 for infrastructure.

(14) Net Position/Fund Balances**Net Position**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt net of any unused bond proceeds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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:

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

Prepaid items: Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

Lease receivable: 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 loans: Portion of fund balance that is not an available resource because it represents the long-term amount of loans and notes receivable.

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

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

Restricted for education: Portion of fund balance representing sales tax income designated for school capital by Senate Bill 888 and unspent bond proceeds restricted to school capital.

Restricted for capital projects: Portion of fund balance representing unspent bond proceeds and revolving loans restricted for capital project expenditures.

Restricted for other purposes as detailed below:

Restricted for Register of Deeds: Fund balance of \$473,850 restricted by revenue source for Register of Deeds related automation expenditures.

Restricted for tax reappraisal: Fund balance of \$283,399 restricted for expenditures related to tax reappraisal per G.S. 153A-150.

Restricted for economic and physical development:

Fund balance of \$3,232,522 restricted by revenue source to the support of the Permits and Inspections department per G.S. 153A-354, \$47,165 restricted by revenue source for soil conservation activities, and \$12,596 restricted by revenue source to paying debt service of the PDF Woodfin Downtown Fund.

Restricted for human services:

Fund balance of \$400,525 restricted by revenue source for human service activities of the Buncombe County Service Foundation, \$57,425 that can only be used for beneficiaries under the Social Security's Representative Payee Program, and \$1,773,669 restricted by revenue source to addressing the opioid crisis.

Restricted for library: Fund balance of \$884,558 restricted for the libraries by the donor.

Restricted for public safety: Fund balance of \$3,148,505 restricted by revenue source for public safety purposes

Committed Fund Balance: Portion of fund balance that can only be used for specific purpose imposed by majority vote of Buncombe County's Board of Commissioners (highest level of decision-making authority). Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance: Portion of fund balance that the Buncombe County Board of Commissioners has budgeted.

Subsequent Year's Expenditures: Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$75,000.

Assigned for capital projects: Portion of fund balance that has been designated by the Board of Commissioners for various capital projects.

Unassigned Fund Balance: Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

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

Buncombe County has also adopted a fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 15% of budgeted expenditures. Any portion of the General Fund balance in excess of 15% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget. Unassigned fund balance in excess of 20% of budgeted expenditures at year end is to be transferred to the County Capital Projects Fund in the following year.

(15) Defined Benefit Pension and OPEB Plans

The County participates in two cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State: the Local Government Employees' Retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered, defined benefit pension plans"), administers a single-employer Law Enforcement Officers' Special Separation Allowance (LEOSSA) defined benefit pension plan, and administers one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans 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. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans are reported at fair value.

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

- (1) Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.** The Governmental Funds Balance Sheet includes a reconciliation between total fund balance for the governmental funds and net position for governmental activities as reported in the Government-wide Statement of Net Position. The net adjustment consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 225,460,171
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds	6,732,725
Net pension asset	394,200
Pension and other post-employment benefit activity relating to deferred outflows and inflows is not used or reported in the funds	14,556,631
Accrued interest receivable on long-term loans and investments reported in the government-wide activities, but not in the fund statements	366,002
Deferred inflows of resources are reported in the fund statements but not the government-wide statements	6,973,936
The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position	25,221,111
Deferred inflows and outflows related to advance refunding bonds issued – included on government-wide statement of net position, but not in the fund statements	(2,929,027)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing	(367,083,101)
Lease liabilities	(1,998,975)
Subscription Liabilities	(4,042,207)
Compensated absences	(10,099,107)
Total pension liability - LEOSA	(9,479,366)
Net OPEB liability	(74,225,346)
Net pension liability - LGERS	(74,553,640)
Pension spiking liability	(362,002)
Accrued interest payable	(1,185,367)
Total	\$ (266,253,362)

(2) Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities. The Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances for the governmental funds and changes in net position of governmental activities as reported in the Government-wide Statement of Activities. There are several elements of that total adjustment as follows:

Description	Amount
Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the statement of activities.	15,048,065
Cost of disposed capital assets not recorded in fund statements	(717)
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(17,218,324)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	40,656,562
A portion of expense activity related to the Local Government Employee Retirement System, the Law Enforcement Special Separation Allowance, the Register of Deeds' Supplemental Pension Fund, and other post-employment benefits is not reported in the governmental funds and is included in the Statement of Activities:	
Local Government Employee Retirement System expense adjustment	(6,905,763)
Law Enforcement Special Separation Allowance expense adjustment	(508,335)
Register of Deeds' Supplemental Pension Fund expense adjustment	(53,390)
Other post-employment benefit expense adjustment	11,148,542
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	270,703
Payments related to the 2014 Retirement Incentive	294,125
Pension spiking liability	658,075
Accrued interest on tax refund	74,254
Difference in expenditures between fund statements (modified accrual) and government-wide statements (full accrual) related to accrued tax refund	(131,055)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Difference in interest revenue between fund statements (modified accrual) and government-wide statements (full accrual)	158,371
Increase of deferred inflows of resources – taxes receivable	28,665
Increase of deferred inflows of resources – EMS receivable	(535,458)
Increase in deferred inflows of resources - grant receivables	1,674,938
Increase in deferred inflows of resources - other receivables	48,841
Difference in accrued tax refund between fund statements (modified accrual) and government-wide statements (full accrual)	721,166
Net expense, including transfers, of internal service funds determined to be governmental type	1,098,273
Total	<u>\$ 46,527,538</u>

(F) 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.

Note 2 - Stewardship, Compliance, and Accountability**(1) Deficit Fund Equity**

At June 30, 2023, the Grant Projects Fund, a major fund, has a deficit fund balance of \$7,136,231. The deficit is related to grants for which there were expenditures, but no recorded revenue since reimbursement was not received and available as a current resource within the year or period of accrual after year end. It also includes an excess of \$4,905,343 of expenditures over revenues related to the Enka Recreation Destination grant. This grant includes certain milestones which the County has not yet crossed to be eligible for reimbursement. This will resolve over time when grant projects are closer to completion and all funds are received.

(2) Excess of Expenditures over Appropriations

The County's Reappraisal Reserve fund reported expenditures for principal retirement in excess of the amount budgeted. This occurred because of the implementation of GASB Statement No. 96. The County did not budget for the principal payments.

Note 3 - Detail Notes on All Funds**(A) Assets****(1) Deposits**

All deposits of the County, Tourism Development Authority, and Asheville-Buncombe Air Quality Agency are either insured or collateralized by using the Pooling Method. 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, Tourism Development Authority, and Asheville-Buncombe Air Quality Agency, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Tourism Development Authority, and Asheville-Buncombe Air Quality Agency or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the County, Tourism Development Authority, and Asheville-Buncombe Air Quality Agency under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The State Treasurer enforces standards of minimum capitalization for all pooling method financial institutions. The County, Tourism Development Authority, and Asheville-Buncombe Air Quality Agency rely on the State Treasurer to monitor those financial institutions. The County analyzes the financial soundness of any other financial institution used by the County. The County complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2023, the County's (including Asheville-Buncombe Air Quality) deposits had a carrying amount of \$40,540,008 and a bank balance of \$40,939,950. Of the bank balance, \$500,000 was covered by federal depository insurance and \$40,439,950 was covered by collateral held under the Pooling Method. These amounts include \$736,845 held by the County in its fiduciary capacity for its custodial funds. At June 30, 2023, Buncombe County had \$10,900 cash on hand.

At June 30, 2023, the Tourism Development Authority's deposits had a carrying amount of \$12,077,477 and a bank balance of \$12,590,480. Of the bank balance, \$250,000 was covered by federal depository insurance and \$12,340,480 was covered by collateral held under the Pooling Method.

(2) Investments

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

Investment Type	Valuation Measurement	Fair Value	Less Than 6		
	Method		Months	6-12 Months	1-3 Years
US Treasuries	Fair Value-Level 1	\$ 27,921,701	\$ 6,982,316	\$ 6,929,844	\$ 14,009,541
US Government agencies	Fair Value-Level 2	19,805,070	6,569,478	3,002,030	10,233,562
NCCMT - Government Portfolio	Fair Value-Level 1	138,462,575	138,462,575	-	-
NC Investment Pool	Fair Value-Level 1	68,457,324	68,457,324	-	-
Total		<u>\$ 254,646,670</u>	<u>\$ 220,471,693</u>	<u>\$ 9,931,874</u>	<u>\$ 24,243,103</u>

Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days and the NC Investment Pool has a weighted average maturity of less than 60 days, they are presented as investments with maturities of less than 6 months. The NCCMT Government Portfolio has an AAAM rating from S&P and AAAMf by Moody's Investors Service and the NC Investment Pool has an AAAM rating from S&P and AAAMmf from Fitch Ratings.

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

At June 30, 2023, the Tourism Development Authority's investments consisted of \$51,263,390 in the North Carolina Capital Management Trust's Government Portfolio, Fair Value-Level 1, with a maturity of less than 6 months.

A reconciliation of deposits and investments to the government-wide financial statements is as follows:

	Primary Government	Tourism Development Authority	Asheville- Buncombe Air Quality
Deposits	\$ 40,540,008	\$ 12,077,477	\$ -
Cash on hand	10,900	-	-
Investments	254,646,670	51,263,390	-
	295,197,578	63,340,867	-
Reported in Component Units	(736,845)	-	736,845
	<u>\$ 294,460,733</u>	<u>\$ 63,340,867</u>	<u>\$ 736,845</u>
Reported on government-wide statement of net position:			
Cash and investments	\$ 236,480,938	\$ 63,340,867	\$ 736,845
Restricted cash and investments	56,527,825	-	-
	293,008,763	<u>\$ 63,340,867</u>	<u>\$ 736,845</u>
Reported in custodial funds:			
Cash and investments	1,451,970		
	<u>\$ 294,460,733</u>		

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy mitigates interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. The County's investment policy also requires that the portfolio be diversified by security type and institution as well as limiting all securities to a final maturity of no more than three years.

Credit Risk

The County's policy is to limit investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs). The County's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by S&P. The County's investments in the North Carolina Investment Pool (NCIP) carried a credit rating of Aam by S&P and AAAMmf by Fitch Ratings.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Buncombe County Investment Policy mitigates custodial credit risk by stating that all trades where applicable will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

Concentration of Credit Risk

The County's investment policy limits commercial paper to \$5 million per issuer and less than or equal to 25% of the portfolio in total. Management also employs an internal target holding allocation to limit concentrations of credit risk.

State Treasurer's OPEB Fund

At June 30, 2023, the Buncombe County Healthcare Benefits (HCB) Plan Fund had \$39,820,274 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 159-30.1. The State Treasurer's OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes.

At year-end, the State Treasurer's OPEB Fund was invested as follows:

	<u>Fair Value</u>
State Treasurer's Long-Term Investment Fund (BIF)	\$ 2,827,977
State Treasurer's Short-Term Investment Fund (STIF)	7,561,724
BlackRock's MSCI ACWI EQ Index Non-Lendable Class B Fund	<u>29,430,573</u>
Total	<u>\$ 39,820,274</u>

Interest Rate Risk

The County does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The County does not have a formal investment policy regarding credit risk for the HCB Plan Fund.

(3) Property Tax - Use-Value Assessment on Certain Lands

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

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

Fiscal Year			
Levied	Tax	Interest	Total
2020	\$ 4,026,242	\$ 956,232	\$ 4,982,474
2021	3,719,545	548,633	4,268,178
2022	4,208,877	242,010	4,450,887
2023	4,232,958	-	4,232,958
Total	\$ 16,187,622	\$ 1,746,875	\$ 17,934,497

(4) Receivables

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

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Leases	Long-term Loans	Total
Governmental Activities:						
General	\$ 7,298,742	\$ 2,666,284	\$ 19,690,962	\$ 15,252,634	\$ 7,259	\$ 44,915,881
Occupancy Tax	-	3,357,854	-	-	-	3,357,854
Special Taxing Districts	-	200,791	4,199,224	-	-	4,400,015
Grant Projects	467,690	-	3,867,922	-	-	4,335,612
Public School Capital Needs	-	-	7,150,564	-	-	7,150,564
AB Tech Capital Projects	6,539	-	4,958,090	-	-	4,964,629
Public Schools ADM	-	-	6,309,687	-	-	6,309,687
County Capital Projects	49,950	-	-	-	-	49,950
Special Projects Capital Projects	131,735	-	76,719	-	7,875,623	8,084,077
Internal Service Fund	6,577	-	-	-	-	6,577
Other Governmental	1,265,361	-	538,011	-	-	1,803,372
	9,226,594	6,224,929	46,791,179	15,252,634	7,882,882	85,378,218
Allowance for doubtful accounts	(2,709,216)	(458,620)	-	-	-	(3,167,836)
Total	6,517,378	5,766,309	46,791,179	15,252,634	7,882,882	82,210,382
Governmental Activities	366,005	-	-	-	-	366,005
Total - governmental activities	\$ 6,883,383	\$ 5,766,309	\$ 46,791,179	\$ 15,252,634	\$ 7,882,882	\$ 82,576,387
Business-type Activities						
Solid Waste Disposal	\$ 1,106,976	\$ -	\$ 11,474	\$ -	\$ -	\$ 1,118,450
Other Business-type	4,533	-	-	-	-	4,533
	1,111,509	-	11,474	-	-	1,122,983
Allowance for doubtful accounts	(8,335)	-	-	-	-	(8,335)
Total - business-type activities	\$ 1,103,174	\$ -	\$ 11,474	\$ -	\$ -	\$ 1,114,648

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

Local option sales tax	\$ 33,221,486
Other	13,569,693
Total	\$ 46,791,179

No allowance for uncollectible accounts has been recorded by the Tourism Development Authority or Asheville-Buncombe Air Quality Agency.

On 07/01/2021, Buncombe County, NC entered into a 280 month lease as Lessor for the use of Barnardsville Tower Site Sublease - US Cellular. An initial lease receivable was recorded in the amount of \$664,080. As of 06/30/2023, the value of the lease receivable is \$632,559. The lessee is required to make monthly fixed payments of \$2,070. The lease has an interest rate of 1.462%. The Other estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$607,247, and Buncombe County, NC recognized lease revenue of \$28,416 during the fiscal year. The lessee has 4 extension option(s), each for 60 months. The lessee had a termination period of 2 months as of the lease commencement.

On 07/01/2021, Buncombe County, NC entered into a 220 month lease as Lessor for the use of Swannanoa Tower Site - Bell Atlantic. An initial lease receivable was recorded in the amount of \$566,108. As of 06/30/2023, the value of the lease receivable is \$524,807. The lessee is required to make monthly fixed payments of \$2,300. The lease has an interest rate of 1.312%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$504,351, and Buncombe County, NC recognized lease revenue of \$30,879 during the fiscal year. The lessee has 3 extension option(s), each for 60 months. The lessee had a termination period of 41 months as of the lease commencement.

On 07/01/2021, Buncombe County, NC entered into a 299 month lease as Lessor for the use of Barnardsville Tower Site Sublease - Bell Atlantic Mobile dba Verizon. An initial lease receivable was recorded in the amount of \$765,783. As of 06/30/2023, the value of the lease receivable is \$734,874. The lessee is required to make monthly fixed payments of \$2,150. The lease has an interest rate of 1.502%. The Other estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$704,315, and Buncombe County, NC recognized lease revenue of \$30,734 during the fiscal year. The lessee has 4 extension option(s), each for 60 months. The lessee had a termination period of 59 months as of the lease commencement.

On 07/01/2021, Buncombe County, NC entered into a 145 month lease as Lessor for the use of 200 College St - TD Bank. An initial lease receivable was recorded in the amount of \$6,634,069. As of 06/30/2023, the value of the lease receivable is \$1,357,621. The lessee is required to make monthly fixed payments of \$43,997. The lease has an interest rate of 1.083%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$1,354,887, and Buncombe County, NC recognized lease revenue of \$400,055 during the fiscal year. The lessee has 2 extension option(s), each for 60 months.

On 07/01/2021, Buncombe County, NC entered into a 162 month lease as Lessor for the use of Land of Sky - Leicester Crossing. An initial lease receivable was recorded in the amount of \$1,234,037. As of 06/30/2023, the value of the lease receivable is \$1,083,804. The lessee is required to make semi-annual fixed payments of \$61,429. The lease has an interest rate of 4.150%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$1,051,217, and Buncombe County, NC recognized lease revenue of \$91,410 during the fiscal year.

On 07/01/2021, Buncombe County, NC entered into a 150 month lease as Lessor for the use of Unison Engine Components - GE Aviation. An initial lease receivable was recorded in the amount of \$12,813,591. As of 06/30/2023, the value of the lease receivable is \$10,918,970. The lessee is required to make monthly fixed payments of \$89,838. The lease has an interest rate of 1.150%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the deferred inflow of resources as of 06/30/2023 was \$10,763,417, and Buncombe County, NC recognized lease revenue of \$1,025,087 during the fiscal year. The lessee has 4 extension option(s), each for 60 months.

The principal and interest expected to maturity on these leases is as follows:

Year Ending June 30	Governmental Activities	
	Principle	Interest
2024	1,271,359	205,031
2025	1,237,946	188,506
2026	1,269,514	171,499
2027	1,287,756	154,131
2028	1,306,348	136,438
2029 - 2033	6,988,309	401,109
2034 - 2038	1,224,793	74,586
2039 - 2043	460,390	31,742
2044 - 2046	206,218	4,010
Total	<u>\$ 15,252,634</u>	<u>\$ 1,367,052</u>

(5) Capital Assets

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

Governmental Activities	Restated Beginning Balances	Increases	Decreases	Adjustments/ Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 21,587,883	\$ -	\$ -	\$ -	\$ 21,587,883
Construction in progress	9,140,112	10,746,660	11,670,095	-	8,216,677
Total assets not being depreciated	30,727,995	10,746,660	11,670,095	-	29,804,560
Capital assets being depreciated					
Buildings	223,942,030	271,514	-	-	224,213,544
Other improvements	109,505,195	5,925,913	-	-	115,431,108
Equipment	26,957,477	5,124,951	150,215	-	31,932,213
Intangibles	4,257,906	-	-	-	4,257,906
Vehicles	18,040,900	2,406,054	639,589	(65,232)	19,742,133
Total assets being depreciated	382,703,508	13,728,432	789,804	(65,232)	395,576,904
Less accumulated depreciation for:					
Buildings	102,176,301	6,991,340	-	-	109,167,641
Other improvements	43,317,660	5,075,057	-	-	48,392,717
Equipment	23,077,744	981,902	150,215	-	23,909,431
Intangibles	2,549,820	431,660	-	-	2,981,480
Vehicles	14,039,040	2,135,088	638,872	(65,232)	15,470,024
Total accumulated depreciation	185,160,565	15,615,047	789,087	(65,232)	199,921,293
Total capital assets being depreciated, net	197,542,943	(1,886,615)	717	-	195,655,611
Capital asset being amortized:					
Right to use assets:					
Leased land	646,145	-	-	-	646,145
Leased buildings	196,897	508,411	-	-	705,308
Leased infrastructure	900,846	-	-	-	900,846
IT subscriptions	4,465,045	1,734,657	-	-	6,199,702
Total assets being amortized	6,208,933	2,243,068	-	-	8,452,001
Less accumulated amortization:					
Right to use assets:					
Leased land	27,349	27,349	-	-	54,698
Leased buildings	32,053	111,438	-	-	143,491
Leased infrastructure	56,597	56,597	-	-	113,194
IT subscriptions	-	1,407,893	-	-	1,407,893
Total accumulated amortization	115,999	1,603,277	-	-	1,719,276
Total capital assets being amortized, net	6,092,934	639,791	-	-	6,732,725
Governmental activities capital assets, net	\$ 234,363,872				\$ 232,192,896

* Beginning balances were restated for GASB 96 (see Note 10)

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental Activities

General government	\$ 9,060,494
Public safety	4,131,510
Economic and physical development	31,042
Human services	2,739,131
Cultural and recreational	1,256,147
Total depreciation and amortization expense	<u>\$ 17,218,324</u>

Business-Type Activities	Beginning Balances	Increases	Decreases	Adjustments/ Transfers	Ending Balances
Solid Waste Disposal					
Capital assets not being depreciated:					
Land	\$ 6,842,138	\$ -	\$ -	\$ -	\$ 6,842,138
Construction in progress	5,557,062	10,114,236	15,474,152	-	197,146
Total capital assets not being depreciated	12,399,200	10,114,236	15,474,152	-	7,039,284
Capital assets being depreciated:					
Buildings and improvements	56,063,760	14,336,917	-	-	70,400,677
Equipment	4,633,851	355,139	-	-	4,988,990
Vehicles	1,957,773	826,565	304,451	65,232	2,545,119
Total capital assets being depreciated	62,655,384	15,518,621	304,451	65,232	77,934,786
Less accumulated depreciation for:					
Buildings and improvements	36,285,055	1,771,793	-	-	38,056,848
Equipment	2,507,560	335,813	-	-	2,843,373
Vehicles	1,801,779	138,231	304,451	65,232	1,700,791
Total accumulated depreciation	40,594,394	2,245,837	304,451	65,232	42,601,012
Total capital assets being depreciated, net	22,060,990	13,272,784	-	-	35,333,774
Capital asset being amortized:					
Right to use assets:					
Leased equipment	1,945,360	-	185,935	-	1,759,425
Total assets being amortized	1,945,360	-	185,935	-	1,759,425
Less accumulated amortization:					
Right to use assets:					
Leased equipment	648,177	566,366	185,935	-	1,028,608
Total accumulated amortization	648,177	566,366	185,935	-	1,028,608
Total capital assets being amortized, net	1,297,183	(566,366)	-	-	730,817
Solid Waste Disposal capital assets, net	35,757,373				43,103,875
Other Business-Type Activities					
Capital assets being depreciated:					
Equipment	165,100	-	-	-	165,100
Vehicles	29,129	-	-	-	29,129
Total capital assets being depreciated	194,229	-	-	-	194,229
Less accumulated depreciation for:					
Equipment	76,482	29,439	-	-	105,921
Vehicles	29,129	-	-	-	29,129
Total accumulated depreciation	105,611	29,439	-	-	135,050
Total capital assets being depreciated, net	88,618	(29,439)	-	-	59,179
Other Business-type capital assets, net	88,618				59,179
Business-type capital assets, net	\$ 35,845,991				\$ 43,163,054

Net investment in capital assets on the Statement of Net Position is calculated as follows:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net	\$ 232,192,896	\$ 43,163,054	\$ 275,355,950
Total	232,192,896	43,163,054	275,355,950
Debt:			
General obligation bonds	(7,200,000)	-	(7,200,000)
Installment notes (including deferrals)	(362,812,128)	(13,529,000)	(376,341,128)
Lease installment obligations	(1,998,975)	(726,604)	(2,725,579)
Subscription installment obligations	(4,042,207)	-	(4,042,207)
Capital accounts payable	(823,961)	(673,578)	(1,497,539)
Retainage payable	(473,410)	-	(473,410)
Gross debt	(377,350,681)	(14,929,182)	(392,279,863)
Add portion of debt that has not given rise to capital assets:			
Unspent bond proceeds	13,648,301	1,193,383	14,841,684
Debt relating to schools and community college	214,971,024	-	214,971,024
Debt relating to economic development	11,613,819	-	11,613,819
Net debt	(137,117,537)	(13,735,799)	(150,853,336)
Capital assets, net of related debt	\$ 95,075,359	\$ 29,427,255	\$ 124,502,614

Construction commitments

The County has the following commitments with contractors for active construction projects at June 30, 2023:

Project	Spent-to-date	Remaining Commitment
AHS Track - Asheville High New Track	\$ 945,436	\$ 168,401
FY23 Asheville High – Main Building Auditorium	19,038	38,653
FY23 Montford School – Replace Water Service Line, Sewer Line, Abatement	-	2,500
Herring Elementary School - 2022 SCFC Cycle Campus Wide Projects	341,868	127,271
Montford Retaining Wall Repairs	585,369	18,706
Multiple ACS Schools - Safety and Security Concerns	196,370	1,334
Enka Recreation Destination	6,836,999	413,785
FY20 Enka Site TCC Roofs	3,567,120	2,167,111
FY20 Fleet and General Services Complex	449,510	181,583
FY20 Parking Lot Improvements Countywide	186,562	729,122
FY21 Solar on Public Facilities	8,364,205	1,222,344
FY22 40 Coxe Interior Renovation	89,451	1,107,352
FY22 Solar Panel Installation Phase 2	276,903	53,339
FY23 Solar on Schools & Public Buildings	764,049	698,801
Woodfin Greenway	672,497	1,018,387
Total construction commitments	\$ 23,295,378	\$ 7,948,689

Discretely presented component units

Capital asset activity for Asheville-Buncombe Air Quality Agency for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Adjustments/Tr ansfers	Ending Balances
Capital assets being depreciated:					
Equipment	\$ 31,802	\$ 86,342	\$ -	\$ -	\$ 118,144
Vehicles	46,430	-	-	-	46,430
Total capital assets being depreciated	78,232	86,342	-	-	164,574
Less accumulated depreciation for:					
Equipment	16,167	9,183	-	-	25,350
Vehicles	46,430	-	-	-	46,430
Total accumulated depreciation	62,597	\$ 9,183	\$ -	\$ -	71,780
Asheville-Buncombe Air Quality capital assets, net	\$ 15,635				\$ 92,794

(B) Liabilities**(1) Payables**

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

	Vendors	Salaries and Benefits	Total
Governmental Activities			
General	\$ 6,293,547	\$ 7,696,281	\$ 13,989,828
Special Taxing District	5,462,974	-	5,462,974
Grant Projects	1,339,927	83,435	1,423,362
Public School Capital Needs	643,262	-	643,262
AB Tech Capital Projects	106,206	-	106,206
Public Schools ADM Sales Tax/Lottery			
Projects	5,548,986	-	5,548,986
County Capital Projects	963,988	-	963,988
Special Projects Capital Projects	286,552	-	286,552
Internal Service Fund	560,933	15,785	576,718
Other Governmental	521,510	3,759	525,269
Total	21,727,885	7,799,260	29,527,145
Governmental Activities	1,621,608	-	1,621,608
Total - governmental activities	\$ 23,349,493	\$ 7,799,260	\$ 31,148,753
Business-type Activities			
Solid Waste Disposal	\$ 1,356,770	\$ 120,073	\$ 1,476,843
Other Business-type	113,633	2,591	116,224
Total - business-type activities	\$ 1,470,403	\$ 122,664	\$ 1,593,067

(2) Pension Plan and Other Postemployment Obligations**(a) Local Governmental Employees' Retirement System**

1. Plan Description.

Buncombe County is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers

(LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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.

2. 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. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. 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 full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

3. 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 contribution rates are set periodically and affirmed annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2023 was 13.04% of compensation for law enforcement officers and 12.13% for general employees, 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 \$13,885,253 for the year ended June 30, 2023.

4. Refunds of Contributions.

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

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

At June 30, 2023, the County reported a liability of \$76,183,535 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension

liability was then rolled forward to the measurement date of June 30, 2022 using 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, 2023, the County's proportion was 1.350% (measured as of June 30, 2022), which was a decrease of 0.030% from its proportion as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the County recognized pension expense of \$20,934,580. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,282,679	\$ 321,848
Changes of assumptions	7,601,408	-
Net difference between projected and actual earnings on pension plan investments	25,179,456	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	566,274	1,406,844
Employer contributions subsequent to the measurement date	13,885,253	-
Total	<u>\$ 50,515,070</u>	<u>\$ 1,728,692</u>

Deferred outflows of resources related to pensions of \$13,885,253 resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 10,850,667
2025	9,573,763
2026	2,480,732
2027	11,995,963
	<u>\$ 34,901,125</u>

At June 30, 2023, the Asheville-Buncombe Air Quality Agency reported a liability of \$276,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 using update procedures incorporating the actuarial assumptions. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Agency's proportion was 0.0049% (measured as of June 30, 2022), which was an increase of 0.0007% from its proportion measured as of June 30, 2022 (measured as of June 30, 2021).

For the year ended June 30, 2023, the Agency recognized pension expense of \$88,329. At June 30, 2023, the Agency 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	\$ 11,935	\$ 1,170
Changes in assumptions	27,638	-
Net difference between projected and actual earnings on pension plan investments	91,549	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,714	2,837
Employer contributions subsequent to the measurement date	67,166	-
Total	<u>\$ 229,002</u>	<u>\$ 4,007</u>

Deferred outflows of resources related to pensions of \$67,166 resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 51,328
2025	46,172
2026	16,713
2027	43,616
	<u>\$ 157,829</u>

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

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	Target	Long-Term Expected
Fixed Income	29.0%	1.1%
Global Equity	42.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	7.5%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	6.0%	2.7%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability in the December 31, 2021 valuation was 6.50%, which is the same as the December 31, 2020 valuation. 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 and Agency's proportionate shares of the net pension asset calculated using the discount rate of 6.50%, as well as what the County's and Agency's proportionate shares of the net pension asset or net pension liability would be if they were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County's proportionate share of the net pension liability	\$ 137,501,471	\$ 76,183,535	\$ 25,653,997
Asheville-Buncombe Air Quality Agency's proportionate share of the net pension liability	\$ 499,939	\$ 276,994	\$ 93,275

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.

(b) Law Enforcement Officers' Special Separation Allowance

1. Plan Description.

Buncombe 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, and have completed at least five years of continuous service as a law enforcement officer immediately preceding a service retirement. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article

12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	41
Active plan members	237
Total	278

2. Summary of Significant Accounting Policies.

Basis of Accounting. The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan. The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

3. Actuarial Assumptions.

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

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

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

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

MORTALITY ASSUMPTION: All mortality rates use Pub-2010 amount-weighted tables.

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

DEATHS AFTER RETIREMENT (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and Set Forward by 1 year.

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

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

DEATHS PRIOR TO RETIREMENT: Mortality rates are based on the Safety Mortality Table for Employees.

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefits 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. Administrative costs of the

Separation Allowance are paid as they come due. The County paid \$599,024 as benefits came due for the measurement period.

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

At June 30, 2023, the County reported a total pension liability of \$9,479,366. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was rolled forward to December 31, 2022 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2023, the County recognized pension expense of \$1,132,710. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to the Separation Allowance from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 419,998	\$ 264,931
Changes in assumptions	1,488,076	1,628,810
County benefit payments and administrative expenses paid subsequent to the measurement date	320,782	-
Total	<u>\$ 2,228,856</u>	<u>\$ 1,893,741</u>

The County paid \$319,134 in benefit payments and \$1,648 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase to Pension Expense
2024	\$ 739,516	\$ 432,464	\$ 307,052
2025	669,252	405,251	264,001
2026	499,306	405,251	94,055
2027	-	384,909	(384,909)
2028	-	265,866	(265,866)
	<u>\$ 1,908,074</u>	<u>\$ 1,893,741</u>	<u>\$ 14,333</u>

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

	1% Decrease (3.31%)	Current Discount Rate (4.31%)	1% Increase (5.31%)
County's proportionate share of the total pension liability	<u>\$ 10,266,874</u>	<u>\$ 9,479,366</u>	<u>\$ 8,762,976</u>

Schedule of Changes in Total Pension Liability	
Total pension liability as of December 31, 2021	\$ 11,115,331
Changes for the year:	
Service cost at end of year	549,484
Interest	243,356
Difference between expected & actual experience	(124,834)
Changes of assumptions and other inputs	(1,704,947)
Benefit payments	(599,024)
Net changes	(1,635,965)
Total pension liability as of December 31, 2022	<u>\$ 9,479,366</u>

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

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

(c) Supplemental Retirement Income Plan for Law Enforcement Officers

1. Plan Description.

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

2. Funding Policy.

Article 12E of G.S. Chapter 143 requires the County contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County contributed \$1,163,871 for the reporting year. No amounts were forfeited.

(d) Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan

1. Plan Description.

The County contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to employees of the County who are members of the Local Government Employees' Retirement System. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

2. Funding Policy.

The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. Also, the employees may elect to make voluntary contributions to the plan. The County contributed \$6,623,733 for the reporting year. No amounts were forfeited.

(e) Register of Deeds' Supplemental Pension Fund**1. Plan Description.**

Buncombe County also contributes to the Register of Deeds' Supplemental Pension Fund (RODSPF), a noncontributory, cost-sharing multiple-employer defined benefit plan administered by the North Carolina Department of State Treasurer. The RODSPF provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The 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 Registers of Deeds' Supplemental Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or online at www.osc.nc.gov.

2. 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.

3. 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 \$26,178 for the year ended June 30, 2023.

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

5. At June 30, 2023, the County reported an asset of \$394,200 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The County's proportion of the net pension asset was based 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, 2022, the County's proportion was 2.977%, which was an decrease of 0.054% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the County recognized pension expense of \$79,568. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,037	\$ 7,146
Changes of assumptions	20,871	-
Net difference between projected and actual earnings on pension plan investments	163,843	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,532	-
Employer contributions subsequent to the measurement date	26,178	-
Total	<u>\$ 225,461</u>	<u>\$ 7,146</u>

Deferred outflows of resources related to pensions of \$26,178 resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2024	\$	56,389
2025		39,997
2026		54,545
2027		41,206
	\$	<u>192,137</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	3.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2022 is 1.1%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability in the December 31, 2021 valuation was 3.00% which was the same as the rate used in the December 31, 2020 valuation. The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the net pension asset to changes in the discount rate. The following presents the County's proportionate share of the net pension asset calculated using the discount rate

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
County's proportionate share of the net pension asset	\$ 278,471	\$ 394,200	\$ 491,648

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.

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

The net pension liability (asset) for LGERS and RODSPF was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for the Law Enforcement Officers' Special Separation Allowance (LEOSSA) was measured as of June 30, 2022, with an actuarial valuation date of December 31, 2021.

The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contribution of all participating entities. Following is information related to the proportionate share and pension expense:

	LGERS	RODSPF	LEOSSA	Total
County's proportionate share of the net pension liability (asset)	\$ 76,183,535	\$ (394,200)	\$ -	\$ 75,789,335
County's proportion of the net pension liability (asset)	1.35043%	-2.97734%	N/A	-
Total pension liability	-	-	\$ 9,479,366	\$ 9,479,366
Pension expense	\$ 20,934,582	\$ 79,568	\$ 1,132,710	\$ 22,146,860

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

	LGERS	RODSPF	LEOSSA	Total
<u>Deferred Outflows of Resources</u>				
Differences between expected and actual experience	\$ 3,282,679	\$ 3,037	\$ 419,998	\$ 3,705,714
Changes in assumptions	7,601,408	20,871	1,488,076	9,110,355
Net difference between projected and actual earnings on pension plan investments	25,179,456	163,843	-	25,343,299
Changes in proportion and differences between employer contributions and proportionate share of contributions	566,274	11,532	-	577,806
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	13,885,254	26,178	320,782	14,232,214
Total				<u>\$52,969,388</u>
<u>Deferred Inflows of Resources</u>				
Differences between expected and actual experience	\$ 321,848	\$ 7,146	\$ 264,931	\$ 593,925
Changes in assumptions	-	-	1,628,810	1,628,810
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,406,845	-	-	1,406,845
Total				<u>\$ 3,629,580</u>

(g) Other Post-Employment Benefits**Healthcare Benefits****1. Plan Description.**

Under a County resolution, Buncombe County provides healthcare benefits to employees hired before July 1, 2008 through the Healthcare Benefits Plan (the HCB Plan) as a single-employer defined benefit plan to cover retirees of the County and the WNC Regional Air Quality component unit who participate in the North Carolina Local Governmental Employees' Retirement System (System). Employees who are hired on or after July 1, 2008 and before July 1, 2015 and have at least 20 years of creditable service with the County are covered by the HCB plan. The County pays the full cost of coverage for these benefits. Retirees may also purchase coverage for their dependents at the County's group rates. The HCB Plan is available to qualified retirees at 100% until the age of 65 or until Medicare eligible, whichever is sooner. Employees hired after June 30, 2015 will not be eligible to receive health insurance coverage upon retirement. The plan does not issue a stand-alone report. Management of the HCB Plan is vested with the Buncombe County Board of Commissioners.

Membership of the County's HCB Plan consisted of the following at June 30, 2022, the valuation date:

	2022
Inactive plan members or beneficiaries currently receiving benefit payments	533
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	689
Total	<u>1222</u>

2. Benefits Provided.

Employees will have the full cost for the eligible retiree's individual health insurance coverage paid for by the County until the retiree attains age sixty-five. Retiring members that elected to retire under the provisions of the 2006 Buncombe County Cost Reduction Incentive Plan will receive either a monthly flat dollar amount (either \$268 or \$371) to purchase the Medicare Supplement Plan of their choice or the County will purchase Medicare Supplement Plan F and Medicare Part D prescription drug coverage on their behalf. This benefit begins at age 65 and continues for the retirees' life time. Employees hired after June 30, 2014 are not eligible for the 2006 Buncombe County Cost Reduction Incentive Plan. Retiring members that elect to retire under the 2014 Buncombe County Employee Retirement Incentive Plan will receive one year of the employee's annual salary at retirement paid on a bi-weekly basis over three (3) years. In addition, the retiree can elect to receive a monthly flat dollar amount of \$268 to purchase the Medicare Supplement Plan of their choice, or receive a one-time payment of one-half of the retiree's annual salary. The Medicare Supplement Plan option benefit begins at age 65 and continues for the retirees' lifetime.

3. Contributions.

The County pays the cost of retiree health insurance coverage as it comes due. In addition, it is the intent of the Board of Commissioners to fully or partially fund the County's annual required contributions (ARC) when possible. Determinations are made on an annual basis. Actual contributions are reported in the GASB Statement 75 Employer Reporting section of this note.

4. Investments.

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Commissioners by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The HCB Plan's discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value.

The following was the Board's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Equity Index Fund	65.0%
Bond Index Fund	10.0%
Short-term Investment Fund	25.0%
Total	100.0%

Rate of return. The long-term expected rate of return on investments used for determining the ADC and in the calculation of the Single Equivalent Interest Rate (SEIR) was selected by the County.

5. Net OPEB Liability of the Plan.

The components of the net OPEB liability of the Plan at June 30, 2023 were as follows:

Total OPEB liability	\$ 110,757,942
Plan fiduciary net position	39,820,274
Plan's net OPEB liability	<u>\$ 70,937,668</u>
Plan fiduciary net position as a percentage of the total OPEB liability	35.95%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation	
General Employees	3.25% to 8.41%
Law Enforcement	3.25% to 7.90%
Long-term investment rate of return	5.00% net of OPEB plan investment expense, including price inflation
Municipal bond index rate	
Prior measurement date	2.16%
Measurement date	3.54%
Year FNP is projected to be depleted	
Prior measurement date	N/A
Measurement date	N/A
Single equivalent interest rate, net of OPEB plan investment expense, including price inflation	
Prior measurement date	5.00%
Measurement date	5.00%
Healthcare cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Medicare Medical and Prescription Drug	5.25% for 2020 decreasing to an ultimate rate of 4.50% by 2024

The discount rate used to measure the TOL was based on the long-term expected rate of return.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, adopted by the LGERS Board.

Discount rate (SEIR). The discount rate used to measure the TOL as of the measurement date was 5.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Active employees do not explicitly contribute to the Plan.
- In all years, the employer is assumed to contribute the average of the last 5 years of contributions to the Plan through deposits to the Trust and pays benefits directly to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make benefit payments from its own resources for all periods in the projection.
- Cash flows occur mid-year.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.

Based on these assumptions, the Plan's fiduciary net position (FNP) was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the measurement date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will

actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plan, calculated using the discount rate of 5.00%, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 84,501,509	\$ 70,937,668	\$ 59,719,889

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 57,732,878	\$ 70,937,668	\$ 87,244,614

GASB Statement 75 Employer Reporting

1. Contributions.

For the year ended June 30, 2023, contributions to the plan consisted of \$6,857,662 in retirees' health insurance benefits and a \$2,000,000 investment in plan assets.

2. Component Unit Allocation.

Employees of the Asheville-Buncombe Air Quality component unit are eligible for participation in the HCB plan. Allocation of OPEB expense and liability to the component unit is based on the component unit's percentage of salary expense of the total salary expense of the County and Agency. At June 30, 2023 the Asheville-Buncombe Air Quality's Agency's (the Agency) allocation percentage was 0.45%.

3. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

At June 30, 2023, the County reported a net OPEB liability of \$75,848,064 and the Agency a liability of \$343,218. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial report measured as of June 30, 2022.

At June 30, 2023 the components of the net OPEB liability of the County and Agency, measured as of June 30, 2022, were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Primary Government			
Balances measured at June 30, 2021	\$ 135,335,480	\$ 35,981,710	\$ 99,353,770
Changes for the year			
Service cost	2,677,679	-	2,677,679
Interest	6,579,761	-	6,579,761
Difference between expected and actual experience	(30,390,779)	-	(30,390,779)
Changes in assumptions	2,639,123	-	2,639,123
Contributions	-	9,563,867	(9,563,867)
Net investment income	-	(4,552,377)	4,552,377
Benefit payments	(7,572,876)	(7,572,876)	-
Net change	(26,067,092)	(2,561,387)	(23,505,706)
Primary government balances measured at June 30, 2022	\$ 109,268,387	\$ 33,420,324	\$ 75,848,064

Component Unit	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances measured at June 30, 2021	\$ 612,403	\$ 162,820	\$ 449,583
Changes for the year			
Service cost	12,117	-	12,117
Interest	29,774	-	29,774
Difference between expected and actual experience	(137,521)	-	(137,521)
Changes in assumptions	11,942	-	11,942
Contributions	-	43,277	(43,277)
Net investment income	-	(20,600)	20,600
Benefit payments	(34,268)	(34,268)	-
Net change	(117,956)	(11,590)	(106,365)
Component unit balances measured at June 30, 2022	<u>\$ 494,448</u>	<u>\$ 151,229</u>	<u>\$ 343,218</u>

For the year ended June 30, 2023, the County recognized OPEB expense of (\$70,232,213) and the Agency (\$67,972). At June 30, 2022, the County and Agency combined reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 708,189	\$ 26,222,919
Changes of assumptions or other inputs	21,890,088	41,661,380
Net difference between projected and actual earnings on plan investments	1,991,215	-
Contributions subsequent to the measurement date	8,817,760	-
Total	<u>\$ 33,407,252</u>	<u>\$ 67,884,300</u>

Component Unit	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,205	\$ 118,661
Changes of assumptions or other inputs	99,054	188,520
Net difference between projected and actual earnings on plan investments	9,010	-
Contributions subsequent to the measurement date	39,902	-
Total	<u>\$ 151,171</u>	<u>\$ 307,180</u>

Amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. These amounts are found in the preceding Deferred Outflows of Resources table above. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amortization Schedules					
Primary Government			Component Unit		
Year ended June 30:			Year ended June 30:		
2024	\$	(10,044,863)	2024	\$	(45,454)
2025		(10,156,364)	2025		(45,958)
2026		(10,286,724)	2026		(46,548)
2027		(11,688,268)	2027		(52,890)
2028		(1,118,588)	2028		(5,062)
	\$	(43,294,807)		\$	(195,912)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Primary Government			
Net OPEB Liability	\$ 89,294,031	\$ 75,848,064	\$ 64,727,932
Component Unit			
Net OPEB Liability	\$ 404,062	\$ 343,218	\$ 292,899

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were to calculate healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current	1% Increase
Primary Government			
Net OPEB Liability	\$ 63,657,517	\$ 75,848,064	\$ 90,885,904
Component Unit			
Net OPEB Liability	\$ 288,055	\$ 343,218	\$ 411,265

4. Investments.

The following was the Board's adopted asset allocation policy as of June 30, 2023:

Asset Class	Target Allocation
Equity Index Fund	65.0%
Bond Index Fund	10.0%
Short-term Investment Fund	25.0%
Total	100.0%

(h) 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 (System), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. 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.

(3) Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfills when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The County has met the requirements of a local government financial test that is one option under state and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements.

Closed Landfill:

Landfill Permit Number 11-01: The previous landfill site of the County was closed on September 26, 1997. There is \$805,021 reported as landfill postclosure care liability for this site at June 30, 2023, which represents the projected cost for the remaining 6 years of required postclosure care based on 2023 costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Landfills in Operation:

Municipal Solid Waste Landfill Permit Number 11-07:

The \$15,317,716 reported as landfill closure and postclosure care liability at June 30, 2023 represents the cost to close and monitor the 41.90% of the total estimated capacity of this landfill that has been used as of June 30, 2023. The County will recognize the total estimated cost of closure and postclosure care of \$30,366,495 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2023. The County expects to operate this landfill until at least the year 2047. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

Construction and Demolition (C&D) Landfill Permit Number 11-07:

The County currently operates a C&D landfill with a closure and postclosure care liability of \$4,930,617 reported as of June 30, 2023 representing a cumulative amount reported to date based on the use of 56.73% of the total estimated capacity of this unit. The County will recognize the total estimated cost of closure and postclosure care of \$10,009,621 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2023. The remaining capacity of the C&D landfill is expected to last nearly 20 years. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

Transfer Station:

As required by the North Carolina Administrative Code (NCAC) Title 15A Chapter 13 Solid Waste Management Regulations, transfer station owners are required to provide closure cost estimates. The County operates a transfer station with a closure cost liability of \$243,603.

(4) Deferred Outflows and Inflows of Resources

Deferred outflows of resources for governmental activities and business-type activities at June 30, 2023 were as follows:

	Governmental Activities	Business-type Activities
Deferred charges on refunding of debt (Note 3)	\$ 1,984,717	\$ -
Deferred outflow related to pensions (Note 3)	51,888,651	1,080,737
Deferred outflow related to OPEB (Note 3)	32,692,527	714,725
Total deferred outflows of resources	<u>\$ 86,565,895</u>	<u>\$ 1,795,462</u>

Deferred inflows of resources for governmental funds, governmental activities, and business-type activities at June 30, 2023 were as follows:

	Governmental Funds	Governmental Activities	Business-type Activities
Prepaid taxes not yet earned (General Fund)	\$ 1,982,439	\$ 1,982,439	\$ -
Unavailable taxes receivable, net (General Fund)	616,991	-	-
Unavailable EMS revenue receivable (General Fund)	2,167,138	-	-
Unavailable taxes receivable, net (Special Revenue)	102,925	-	-
Unavailable receivables, net (General Fund)	48,841	-	-
Unavailable grants receivable	4,038,041	-	-
Leases	14,985,434	14,985,434	-
Debt refunding related deferrals (Note 3)	-	4,913,744	-
OPEB related deferrals (Note 3)	-	66,431,960	1,452,340
Pension related deferrals (Note 3)	-	3,592,595	36,985
Total deferred inflows of resources	<u>\$ 23,941,809</u>	<u>\$ 91,906,172</u>	<u>\$ 1,489,325</u>

(5) Risk Management

The County has adopted risk management principles in order to protect the health, safety and welfare of its employees and the citizens it serves; to protect its property, assets, and other resources; and to maintain its reputation and good standing in the wider community. The County provides a wide range of services, all of which give rise to some level of risk. The County regularly assesses and treats these risks to minimize their effects. The County is primarily self-insured and purchases conventional insurance to manage the effect of unavoidable risks. Several department-specific risk policies are purchased as well. Settled claims have not exceeded coverage in any of the past three fiscal years.

The County-owned properties are insured at their scheduled limits and this policy carries a \$250,000 self-insured retention (SIR). The premium is based on the amount of scheduled items. The County carries liability insurance to include general, auto, law enforcement, public officials and employee benefits liability. Currently, this policy carries a limit of \$7,000,000 per occurrence/claim with a \$500,000 SIR. Public officials and employee benefits liability are per claims made. Premiums are based on underwriting requirements.

A separate claims-made medical professional liability policy is purchased for the Buncombe County Health Department. This policy carries a primary limit of \$1,000,000 per incident and an excess limit of \$10,000,000 per incident with a \$5,000 deductible. This policy is written for the North Carolina Health Directors and premiums are based on the experience of the pool.

A separate commercial package policy is purchased for EMS operations and equipment. General, professional, and auto liability limit is \$1,000,000 per occurrence with an additional excess limit of \$2,000,000 per occurrence. Premiums are based on underwriting requirements.

The County purchases excess workers' compensation and employer's liability coverage. Workers' compensation coverage carries a statutory limit. The County currently carries a \$750,000 SIR per occurrence.

The limit of Employer's Liability insurance is \$1,000,000. The premium is based on County employees' payroll and classification. The County adheres to the North Carolina Workers Compensation Act per N.C.G.S. Chapter 97 as administered by the North Carolina Industrial Commission, a division of the North Carolina Department of Insurance. The County provides health insurance benefits through a self-insured health insurance plan. The County is protected against catastrophic individual and aggregate loss by stop-loss insurance coverage. The accompanying statement of net position and balance sheets as of June 30, 2023 include a loss reserve liability for estimated outstanding medical claims of \$1,621,608. Changes in the health claims liability are presented as follows:

	2023	2022
Estimated claims payable, beginning	\$ 902,422	\$ 1,642,659
Incurred claims and changes in estimates	31,804,930	30,798,597
Claims paid	(31,085,744)	(31,538,834)
Estimated claims payable, ending	<u>\$ 1,621,608</u>	<u>\$ 902,422</u>

In accordance with North Carolina General Statutes, the following are required to be individually bonded for faithful performance in the discharge of the duties of their office: Finance Officer at \$1,000,000; Tax Collector at \$100,000; Register of Deeds at \$10,000; and the Sheriff at \$20,000. In addition, any County officer, employee, or agent who handles or has custody of more than \$100 of County money at any one time is performance bonded under a commercial blanket bond at \$250,000 per occurrence.

(6) Contingent Liabilities

The County is presently a defendant in several lawsuits and is also subject to potential claims which may arise out of the ordinary conduct of its affairs. It is the opinion of the County's management and the County Attorney that settlement of these matters, if any, will not have a material adverse effect on the County's financial position.

(7) Long-Term Obligations

(a) Leases

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

On 07/01/2021, Buncombe County, NC entered into a 245 month lease as Lessee for the use of Upper Hominy Tower Site. An initial lease liability was recorded in the amount of \$195,294. As of 06/30/2023, the value of the lease liability is \$179,427. Buncombe County, NC is required to make annual fixed payments of \$9,960. The lease has an interest rate of 1.401%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$195,294 with accumulated amortization of \$19,066 is included with Land on the Lease Class activities table found below.

On 07/01/2021, Buncombe County, NC entered into a 191 month lease as Lessee for the use of Elk Mountain Radio Tower. An initial lease liability was recorded in the amount of \$900,846. As of 06/30/2023, the value of the lease liability is \$827,062. Buncombe County, NC is required to make monthly fixed payments of \$3,843. The lease has an interest rate of 1.244%. The infrastructure estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$900,846 with accumulated amortization of \$113,195 is included with Infrastructure on the Lease Class activities table found below. Buncombe County, NC has 3 extension option(s), each for 60 months.

On 07/01/2021, Buncombe County, NC entered into a 364 month lease as Lessee for the use of Barnardsville Tower Site - Banks. An initial lease liability was recorded in the amount of \$233,098. As of 06/30/2023, the value of the lease liability is \$220,365. Buncombe County, NC is required to make annual fixed payments of \$8,000. The lease has an interest rate of 1.040%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$233,098 with accumulated amortization of \$15,347 is included with Land on the Lease Class activities table found below. Buncombe County, NC has 4 extension option(s), each for 60 months.

On 07/01/2021, Buncombe County, NC entered into a 257 month lease as Lessee for the use of Spivey Mountain Tower. An initial lease liability was recorded in the amount of \$217,753. As of 06/30/2023, the value of the lease liability is \$198,363. Buncombe County, NC is required to make annual fixed payments of \$12,000. The lease has an interest rate of 1.433%. The Land estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$217,753 with accumulated amortization of \$20,285 is included with Land on the Lease Class activities table found below. Buncombe County, NC has 4 extension option(s), each for 60 months. Buncombe County, NC had a termination period of 6 months as of the lease commencement.

On 07/01/2021, Buncombe County, NC entered into a 29 month lease as Lessee for the use of Caterpillar 950M Wheel Loader - Transfer Station. An initial lease liability was recorded in the amount of \$173,811. As of 06/30/2023, the value of the lease liability is \$30,023. Buncombe County, NC is required to make monthly fixed payments of \$6,008. The lease has an interest rate of 0.198%. The Equipment estimated useful life was 120 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$173,811 with accumulated amortization of \$142,859 is included with Equipment on the Lease Class activities table found below. Buncombe County, NC has the option to purchase the Equipment for \$76,125.

On 07/01/2021, Buncombe County, NC entered into a 29 month lease as Lessee for the use of Caterpillar M316F Wheeled Excavator-Transfer Station. An initial lease liability was recorded in the amount of \$146,068. As of 06/30/2023, the value of the lease liability is \$25,231. Buncombe County, NC is required to make monthly fixed payments of \$5,049. The lease has an interest rate of 0.198%. The Equipment estimated useful life was 120 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$146,068 with accumulated amortization of \$120,056 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Buncombe County, NC entered into a 44 month lease as Lessee for the use of Caterpillar 836K Compactor Landfill. An initial lease liability was recorded in the amount of \$832,865. As of 06/30/2023, the value of the lease liability is \$380,070. Buncombe County, NC is required to make monthly fixed payments of \$19,073. The lease has an interest rate of 0.417%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$832,865 with accumulated amortization of \$450,536 is included with Equipment on the Lease Class activities table found below.

On 07/01/2021, Buncombe County, NC entered into a 46 month lease as Lessee for the use of Caterpillar D8T Track Type Tractor. An initial lease liability was recorded in the amount of \$606,680. As of 06/30/2023, the value of the lease liability is \$291,280. Buncombe County, NC is required to make monthly fixed payments of \$13,293. The lease has an interest rate of 0.417%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$606,680 with accumulated amortization of \$315,159 is included with Equipment on the Lease Class activities table found below.

On 12/01/2021, Buncombe County, NC entered into a 43 month lease as Lessee for the use of Mountain Mobility Office. An initial lease liability was recorded in the amount of \$196,897. As of 06/30/2023, the value of the lease liability is \$112,406. Buncombe County, NC is required to make monthly fixed payments of \$4,500. The lease has an interest rate of 0.435%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$196,897 with accumulated amortization of \$87,001 is included with Buildings on the Lease Class activities table found below.

On 07/01/2022, Buncombe County, NC entered into a 108 month lease as Lessee for the use of Rathbun House/CPS Lease. An initial lease liability was recorded in the amount of \$508,411. As of 06/30/2023, the value of the lease liability is \$461,353. Buncombe County, NC is required to make monthly fixed payments of \$4,880. The lease has an interest rate of 2.590%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$508,411 with accumulated amortization of \$56,490 is included with Buildings on the Lease Class activities table found below. Buncombe County, NC has 2 extension option(s), each for 36 months.

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

Year Ending June 30	Governmental Activities		Business-Type Activities		Total Primary Government	
	Principle	Interest	Principle	Interest	Principle	Interest
2024	\$ 165,888	\$ 29,467	\$ 441,583	\$ 2,089	\$ 607,471	\$ 31,556
2025	173,098	27,135	285,021	492	458,119	27,627
2026	121,422	24,811	-	-	121,422	24,811
2027	127,124	22,517	-	-	127,124	22,517
2028	133,047	20,114	-	-	133,047	20,114
2029 - 2033	627,972	63,851	-	-	627,972	63,851
2034 - 2038	451,591	25,645	-	-	451,591	25,645
2039 - 2043	125,311	7,858	-	-	125,311	7,858
2044 - 2048	45,236	2,892	-	-	45,236	2,892
2049 - 2052	28,286	590	-	-	28,286	590
Total	<u>\$ 1,998,975</u>	<u>\$ 224,879</u>	<u>\$ 726,604</u>	<u>\$ 2,581</u>	<u>\$ 2,725,579</u>	<u>\$ 227,460</u>

On 07/01/2021, TDA entered into a 252 month lease as Lessee for the use of 31 College Place LLC. An initial lease liability was recorded in the amount of \$4,431,313. As of 06/30/2023, the value of the lease liability is

\$4,170,017. TDA is required to make monthly fixed payments of \$17,700. The lease has an interest rate of 2.240%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$4,431,313 with accumulated amortization of \$422,030 is included with Buildings on the Lease Class activities table found below. TDA has 2 extension option(s), each for 60 months. TDA had a termination period of 60 months as of the lease commencement.

On 05/01/2023, TDA entered into a 230 month lease as Lessee for the use of 31 College Place LLC-additional space. An initial lease liability was recorded in the amount of \$941,984. As of 06/30/2023, the value of the lease liability is \$934,952. TDA is required to make monthly fixed payments of \$4,727. The lease has an interest rate of 3.100%. The buildings estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of 06/30/2023 of \$941,984 with accumulated amortization of \$8,191 is included with Buildings on the Lease Class activities table found below. TDA has 2 extension option(s), each for 60 months. TDA had a termination period of 60 months as of the lease commencement.

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

Year Ending June 30	Governmental Activities	
	Principle	Interest
2024	\$ 169,818	\$ 120,546
2025	173,910	116,454
2026	178,101	112,263
2027	182,396	107,968
2028	216,158	103,246
2029 - 2033	1,194,024	434,901
2034 - 2038	1,518,408	273,233
2039 - 2042	1,472,153	73,464
Total	<u>\$ 5,104,968</u>	<u>\$ 1,342,075</u>

(b) General Obligation Bond Indebtedness

The County issues general obligation bonds for the acquisition and construction of major capital facilities for the County and public schools. All general obligation bonds serviced by the County's general fund are direct obligations collateralized by the full faith, credit, and taxing power of the County. In the event of a default, the County agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the County.

The 2012B General Obligation Refunding Bonds were issued to refund the 2002B variable rate general obligation bonds.

General obligation bonds outstanding at June 30, 2023:

	Original Borrowing	Issue Date	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities					
General Obligation Bonds					
2012B Refunding Bonds	\$ 32,500,000	October 1, 2012	1.70%	2025	\$ 7,200,000
	<u>\$ 38,185,000</u>				<u>\$ 7,200,000</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	2,400,000	102,000
2025	2,400,000	61,200
2026	2,400,000	20,400
Total	<u>\$ 7,200,000</u>	<u>\$ 183,600</u>

The County is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt, (exclusive of funding and refunding bonds, bonds issued for water, gas, or electric power purposes, and bonds issued for certain other specified purposes). The County may have outstanding up to 8% of the appraised value of property subject to taxation. At June 30, 2023, Buncombe County had a legal debt margin of approximately \$3,618,774,396.

(c) Installment Note Obligations

As authorized by State law [G.S. 160A-20 and 153A-158.1], the County has financed various property acquisitions including general government buildings and facilities, equipment, and vehicles with installment notes, certificates of participation (COPs), or limited obligation bonds (LOBs).

The 2009 Federal American Recovery and Reinvestment Act (ARRA) Revolving Loan, a direct borrowing, was acquired to finance the landfill gas-to-energy project. The loan is payable solely from available funds. If a default occurs, the State may withhold any other monies due to the County and apply them to the payment of this obligation.

The 2010C Taxable Limited Obligation Bonds were issued to provide funds to finance renovations to the science laboratory at Asheville High School pursuant to a deed of trust in which the County's courthouse is pledged as collateral for this debt. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2012A Limited Obligation Bonds were issued to provide funds for various capital projects for the County, including public safety buildings and radio network, human services automation, expansion of the construction and demolition landfill, as well as capital projects for Asheville-Buncombe Technical Community College. A portion of the issue was also used to refinance 2003 and 2005 certificates of participation. The bonds were issued pursuant to the 2010 deed of trust in which the County's courthouse is pledged as collateral for this debt. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2014A Limited Obligation Bonds were issued to provide funds for construction of public safety offices and training facility, public school construction, and community college construction projects. A portion of the issue was also used to refinance 2006 certificates of participation and the 2008 Woodfin Downtown Corridor Development bonds. The 2014A bonds were issued pursuant to the 2010 deed of trust in which the County's courthouse is pledged as collateral, with an extension of the lien to include the sites where Asheville Middle School and the community college Allied Health Building were to be constructed. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2014B Taxable Limited Obligation Bonds were issued to provide funds for construction of a terminal facility to be used by Old Dominion Freight Lines and an office and light manufacturing facility to be used by GE Aviation pursuant to a long-term lease from the County. The security and default provisions of the 2014B bonds are the same as the 2014A limited obligation bonds.

The NC Drinking Water State Revolving Loan, a direct borrowing, was issued by the State of North Carolina to provide funds for the on-going cleanup of the CTS of Asheville, Inc. Superfund Site. The note is payable solely

from revenues of the project or benefited systems, or other available funds. If a default occurs, the State may withhold any other monies due to the County and apply them to the payment of this obligation.

The 2015 Limited Obligation Bonds were issued to provide funds for construction of a health and human services facility and parking deck, a public school, public safety training facility additions, a swimming pool, and various County renovations and equipment. A portion of the issuance was used to refinance certain of the County's 2005, 2006, and 2007 certificates of participation, 2009C taxable limited obligation bonds and to refund the County's 2005A general obligation public improvement bonds. The bonds were issued pursuant to a 2015 deed of trust in which the sites of the Enka Intermediate School and the Health and Human Services Facility are pledged as collateral for this debt. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2018 Limited Obligation Bonds were issued to provide funds for improvements to various County and City school facilities. The bonds were issued pursuant to the 2015 deed of trust with an extension of the lien to include the sites on which Asheville High School and Montford North Star Academy are located. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2019 Sheriff Vehicle Installment Financing Agreement, a direct borrowing, was entered into to provide financing for vehicles for the sheriff's office. The vehicles and funds held in the project account are pledged as security for the agreement and in the event of default, the lender may take possession of said vehicles and funds. No deficiency judgement can be rendered against the County if the proceeds are not sufficient to pay off the obligation.

The 2020A Limited Obligation Bonds were issued to provide funds for the acquisition, construction and equipping of improvements to public schools and various County facilities, refinancing portions of the 2009A certificates of participation and 2010A limited obligation bonds, and refinancing all of the 2010B limited obligation bonds. The 2020A bonds were issued pursuant to the 2010 deed of trust in which the County's courthouse is pledged as collateral for this debt, including the 2014 lien extension of the sites of Asheville Middle School and the community college Allied Health Building. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2020B Taxable Limited Obligation Bonds were issued to provide funds for the partial refinancing of the 2012A limited obligation bonds. The security and default provisions of the 2020B bonds are the same as the 2020A limited obligation bonds.

The 2020C Limited Obligation Bonds, a direct placement, were issued to provide funds for installing solar panels on public facilities. The security and default provisions of the 2020C bonds are the same as the 2020A and 2020B limited obligation bonds.

The 2022A Limited Obligation Bonds, a direct placement, were issued to provide funds for various school and County facility improvements, solid waste landfill expansion, solar panel installation, and fleet and general services complex upgrades. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The 2022B Taxable Limited Obligation Bonds, a direct placement, were issued to provide funds for the partial refinancing of the 2014A limited obligation bonds. The security and default provisions of the 2022B bonds are the same as the 2022A limited obligation bonds.

Installment financings outstanding at June 30, 2023:

	Original Borrowing	Issue Date	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities					
2010C Taxable Limited Obligation Bonds	\$ 3,800,000	December 16, 2010	6.375%	2025	\$ 445,000
2014A Limited Obligation Bonds	151,590,000	February 27, 2014	3.0% - 5.0%	2024	6,920,000
2014B Taxable Limited Obligation Bonds	28,725,000	February 27, 2014	0.5% - 5.1%	2034	18,180,000
NC Drinking Water State Revolving Loan	1,964,204	February 6, 2015	0.0%	2035	1,218,822
2015 Limited Obligation Bonds	126,635,000	April 30, 2015	2.5% - 5.0%	2035	73,965,000
2018 Limited Obligation Bonds	54,730,000	March 28, 2018	2.5% - 5.0%	2038	41,055,000
2019 Sheriff Vehicle Installment Financing	1,675,000	September 4, 2019	1.9837%	2024	689,000
2020A Limited Obligation Bonds	56,495,000	April 9, 2020	2.0% - 5.0%	2040	43,505,000
2020B Taxable Limited Obligation Bonds	32,235,000	April 9, 2020	1.48% - 2.6%	2032	30,645,000
2020C Limited Obligation Bonds	10,096,000	October 14, 2020	1.99%	2035	8,652,000
2022A Limited Obligation Bonds	43,961,000	June 22, 2022	2.93%	2037	41,029,000
2022B Limited Obligation Bonds	80,870,000	June 22, 2022	3.71%	2037	80,461,000
Total governmental activities	<u>666,156,204</u>				<u>346,764,822</u>
Business-type Activities					
2009 ARRA Loan	4,061,396	August 4, 2009	0.0%	2031	600,000
2022A Limited Obligation Bonds	15,324,000	June 22, 2022	2.93%	2037	12,929,000
Total business-type activities	<u>21,370,396</u>				<u>13,529,000</u>
Total installment financings	<u>\$ 687,526,600</u>				<u>\$ 360,293,822</u>

For Buncombe County, the future minimum payments for installment financings as of June 30, 2023, are:

Year Ending June 30	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 32,183,572	\$ 13,785,368	\$ 2,514,000	\$ 378,820	\$ 34,697,572	\$ 14,164,188
2025	31,950,569	12,459,187	2,585,000	307,357	34,535,569	12,766,544
2026	30,678,568	11,110,710	2,659,000	233,814	33,337,568	11,344,524
2027	30,260,568	9,882,424	2,734,000	158,103	32,994,568	10,040,527
2028	30,014,568	8,715,827	2,812,000	80,194	32,826,568	8,796,021
2029-2033	131,981,841	26,019,165	225,000	-	132,206,841	26,019,165
2034-2038	56,725,136	4,982,484	-	-	56,725,136	4,982,484
2039-2043	2,970,000	133,650	-	-	2,970,000	133,650
Total	<u>\$ 346,764,822</u>	<u>\$ 87,088,815</u>	<u>\$ 13,529,000</u>	<u>\$ 1,158,288</u>	<u>\$ 360,293,822</u>	<u>\$ 88,247,103</u>

(d) Subscriptions

For the year ended 6/30/2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

On 07/01/2022, Buncombe County, NC entered into a 32 month subscription for the use of Workday Enterprise Budgeting. An initial subscription liability was recorded in the amount of \$148,385. As of 06/30/2023, the value of the subscription liability is \$92,034. Buncombe County, NC is required to make annual fixed payments of \$56,351. The subscription has an interest rate of 2.038%. The value of the right to use asset as of 06/30/2023 of

\$148,385 with accumulated amortization of \$55,644 is included with Software on the Subscription Class activities table found below.

On 07/01/2022, Buncombe County, NC entered into a 48 month subscription for the use of Cott Software. An initial subscription liability was recorded in the amount of \$219,987. As of 06/30/2023, the value of the subscription liability is \$166,426. Buncombe County, NC is required to make monthly fixed payments of \$4,775. The subscription has an interest rate of 2.112%. The value of the right to use asset as of 06/30/2023 of \$219,987 with accumulated amortization of \$54,997 is included with Software on the Subscription Class activities table found below.

On 07/01/2022, Buncombe County, NC entered into a 57 month subscription for the use of Microsoft Office EA - SHI. An initial subscription liability was recorded in the amount of \$2,805,737. As of 06/30/2023, the value of the subscription liability is \$2,115,514. Buncombe County, NC is required to make annual fixed payments of \$736,224. The subscription has an interest rate of 2.186%. The value of the right to use asset as of 06/30/2023 of \$2,805,737 with accumulated amortization of \$590,682 is included with Software on the Subscription Class activities table found below. Buncombe County, NC has 1 extension option(s), each for 36 months.

On 07/01/2022, Buncombe County, NC entered into a 32 month subscription for the use of Workday MSA. An initial subscription liability was recorded in the amount of \$1,290,936. As of 06/30/2023, the value of the subscription liability is \$672,087. Buncombe County, NC is required to make annual fixed payments of \$636,754. The subscription has an interest rate of 2.038%. The value of the right to use asset as of 06/30/2023 of \$1,290,936 with accumulated amortization of \$481,593 is included with Software on the Subscription Class activities table found below.

On 09/30/2022, Buncombe County, NC entered into a 36 month subscription for the use of SAS. An initial subscription liability was recorded in the amount of \$352,858. As of 06/30/2023, the value of the subscription liability is \$232,858. Buncombe County, NC is required to make annual fixed payments of \$120,000. The subscription has an interest rate of 2.038%. The value of the right to use asset as of 06/30/2023 of \$352,858 with accumulated amortization of \$90,984 is included with Software on the Subscription Class activities table found below.

On 10/01/2022, Buncombe County, NC entered into a 60 month subscription for the use of Apricot 360 Bundle. An initial subscription liability was recorded in the amount of \$154,929. As of 06/30/2023, the value of the subscription liability is \$121,989. Buncombe County, NC is required to make annual fixed payments of \$32,940. The subscription has an interest rate of 3.155%. The value of the right to use asset as of 06/30/2023 of \$154,929 with accumulated amortization of \$23,239 is included with Software on the Subscription Class activities table found below.

On 03/01/2023, Buncombe County, NC entered into a 36 month subscription for the use of ePlanSoft License. An initial subscription liability was recorded in the amount of \$147,630. As of 06/30/2023, the value of the subscription liability is \$98,619. Buncombe County, NC is required to make annual fixed payments of \$49,010. The subscription has an interest rate of 2.583%. The value of the right to use asset as of 06/30/2023 of \$147,630 with accumulated amortization of \$16,403 is included with Software on the Subscription Class activities table found below.

On 03/06/2023, Buncombe County, NC entered into a 25 month subscription for the use of Workday LMS. An initial subscription liability was recorded in the amount of \$56,871. As of 06/30/2023, the value of the subscription liability is \$56,871. Buncombe County, NC is required to make annual fixed payments of \$35,994. The subscription has an interest rate of 2.038%. The value of the right to use asset as of 06/30/2023 of \$136,865 with accumulated amortization of \$21,860 is included with Software on the Subscription Class activities table found below.

On 05/01/2023, Buncombe County, NC entered into a 26 month subscription for the use of Accela Subscription. An initial subscription liability was recorded in the amount of \$485,810. As of 06/30/2023, the value of the subscription liability is \$485,810. Buncombe County, NC is required to make annual fixed payments of \$244,312. The subscription has an interest rate of 3.121%. The value of the right to use asset as of 06/30/2023 of \$942,376 with accumulated amortization of \$72,490 is included with Software on the Subscription Class activities table found below.

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

Year Ending June 30	Governmental Activities	
	Principle	Interest
2024	\$ 1,940,447	\$ 78,938
2025	1,261,748	48,448
2026	808,079	18,384
2027	31,933	1,007
Total	<u>\$ 4,042,207</u>	<u>\$ 146,777</u>

(e) Refundings

On April 9, 2020, the County issued \$26,730,000 of series 2020A tax exempt bonds (interest rates ranging from 2.5% to 5.0%) to refund \$4,320,000 of outstanding 2009A certificates of participation which had interest rates ranging from 4.0% to 4.75%, \$5,110,000 of outstanding 2010A limited obligation bonds which had interest rates ranging from 5.0% to 5.25%, and \$20,420,000 of outstanding 2010B taxable limited obligation bonds which had interest rates ranging from 6.5% to 6.8%. Net proceeds of \$30,266,781 (including premium of \$3,869,464 and after payment of \$327,347 in issuance costs) were deposited in an irrevocable trust with an escrow agent, along with \$460,529 of County funds, to provide funds used to call the balance of these issuances on June 1, 2020. The reacquisition price exceeded the net carrying amount of the old debt, including related premiums of \$162,684, by \$254,098. This amount is reported as a deferred outflow of resources and amortized over the remaining life of the refunded debt. The refunding reduced total debt service payments by \$3,807,349 (including interest subsidy on 2010B bonds) to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,386,066.

On April 9, 2020, the County also issued \$32,235,000 of series 2020B taxable bonds (interest rates ranging from 1.48% to 2.6%) to advance refund \$29,045,000 of outstanding 2012A limited obligation bonds which had an interest rate of 5.0%. The net proceeds of \$32,008,258 (after payment of \$222,122 in issuance costs) along with additional County funds of \$516,356, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, a portion of the 2012A bonds are considered defeased and the liability for those issuances has been removed from the statement of net position. The net carrying amount of the old debt, including related premiums of \$3,763,373, exceeded the reacquisition price by \$800,115. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt. The advance refunding reduced total debt service payments by \$2,982,193 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,612,592.

On June 22, 2022, the County issued \$80,870,000 of series 2022B taxable bonds with an interest rate of 3.71% to advance refund \$77,260,000 of outstanding 2014A limited obligation bonds which had interest rates ranging from 3.0%-5.0%. The net proceeds of \$80,711,695 (after payment of \$158,305 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, a portion of the 2014A bonds are considered defeased and the liability for those issuances has been removed from the statement of net position. The net carrying amount of the old debt, including related premiums of \$7,565,324, exceeded the reacquisition price by \$4,113,629. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt. The advance refunding reduced total debt service payments by \$3,543,808 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,528,245.

The County has defeased debt in prior years by placing the proceeds of new bonds and the County's own resources into irrevocable trust accounts to provide for all future debt service payments on the old bonds until the debt is called or matures. Accordingly, those trust account assets and the liability for those defeased bonds are not included in the County's financial statements. At June 30, 2023, \$77,260,000 of defeased bonds remain outstanding.

(f) Debt Related to Capital Activities

Of the total Governmental Activities debt listed, only \$135,820,166 relates to assets for which the County holds title. Unspent restricted cash related to this debt amounts to \$13,648,301.

(g) Pension Spiking Liability

Pension spiking is a substantial increase in compensation that results in unusually high liabilities to the State's retirement system which, without intervention, would then be absorbed by other members and employers in the System. North Carolina adopted anti-pension spiking laws, effective January 1, 2015, which apply to retirements with an average final salary greater than \$100,000, adjusted annually for inflation. A contribution-based benefit cap (CBBC) is calculated, and if the benefit exceeds the cap, the employer must make an additional contribution to the retirement system. The County's potential spiking liability of \$362,002 for current active employees who will be retiring with an average final salary greater than \$126,956, the inflation adjusted amount for 2023, has been recorded on the government-wide statements at June 30, 2023.

(h) Transfer of Enka-Candler Water and Sewer District Bonds

On July 2, 1990, the County transferred the ownership, operation, and maintenance responsibility for the sanitary districts to the Metropolitan Sewerage District. The contracts affecting the transfer call for the Metropolitan Sewerage District to assume the liability for the Enka-Candler Water and Sewer District Bonds. Consequently, the bonds have been removed from the County's financial statements. The Enka-Candler Water and Sewer District, for which the County Board of Commissioners is the governing body, is liable for the payments on these bonds if the Metropolitan Sewerage District defaults. As of June 30, 2023, the balance of the bonds outstanding was \$20,000.

(i) Conduit Debt Obligations

The Buncombe County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private businesses served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there were industrial revenue bonds outstanding with a principal amount payable of approximately \$10,000,000.

(j) Long Term Obligation Activity

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

	Balance June 30, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion of Balance
Governmental Activities:					
General obligation bonds	\$ 10,004,000	\$ -	\$ 2,804,000	\$ 7,200,000	\$ 2,400,000
Limited obligation bonds	242,265,000	-	27,550,000	214,715,000	27,690,000
Installment financings-direct borrowing	2,343,390	-	435,568	1,907,822	442,572
Installment financings-direct placement	134,205,000	-	4,063,000	130,142,000	4,051,000
Premium on long-term debt	19,341,108	-	6,222,829	13,118,279	-
Lease installment obligations	1,650,605	508,411	160,041	1,998,975	165,888
Subscription installment obligations	4,465,045	1,198,098	1,620,936	4,042,207	1,940,447
Net pension liability -- LEOSA	11,115,331	792,840	2,428,805	9,479,366	570,848
Net pension liability -- LGERS	20,710,651	53,842,989	-	74,553,640	-
Net OPEB liability	97,179,866	-	22,954,520	74,225,346	-
Retirement incentive liability	294,125	-	294,125	-	-
Pension spiking liability	1,020,077	-	658,075	362,002	-
Compensated absences	10,369,810	7,907,057	8,177,760	10,099,107	7,404,395
Total governmental activities	554,964,008	64,249,395	77,369,659	541,843,744	44,665,150
Business-type Activities:					
Installment financings-direct borrowing	\$ 675,000	\$ -	\$ 75,000	\$ 600,000	\$ 75,000
placement	15,324,000	-	2,395,000	12,929,000	2,439,000
Premium on long-term debt	-	-	-	-	-
Lease installment obligations	1,290,269	-	563,665	726,604	441,583
Net pension liability -- LGERS	460,489	1,169,407	-	1,629,895	-
Net OPEB liability	2,160,730	-	538,013	1,622,717	-
Compensated absences	236,885	102,872	97,540	242,219	242,219
Accrued landfill closure and postclosure care costs	19,180,594	2,225,933	109,570	21,296,957	-
Total business-type activities	22,260,417	3,498,212	3,778,788	39,047,392	3,197,802
Total primary government	\$ 644,158,260	\$ 67,747,607	\$ 81,148,447	\$ 580,891,136	\$ 47,862,952
Discretely Presented Component Units:					
Air Quality:					
Net pension liability -- LGERS	\$ 65,178	\$ 211,816	\$ -	\$ 276,994	\$ 276,994
Net OPEB liability	462,757	-	119,539	343,218	-
Compensated absences	93,630	41,009	38,250	96,389	96,389
	\$ 1,067,135	\$ 252,825	\$ 157,789	\$ 716,601	\$ 373,383
Tourism Development Authority:					
Lease installment obligations	\$ 4,308,562	\$ 941,984	\$ 145,578	\$ 5,104,968	\$ 169,818
Subscription installment obligations	-	290,257	99,245	191,012	94,039
Compensated absences	75,871	29,648	-	105,519	105,519
	\$ 4,384,433	\$ 1,261,889	\$ 244,823	\$ 5,401,499	\$ 369,376

Compensated absences, other postemployment benefits and pension liability typically have been liquidated in the funds in which they have been earned, with the majority of governmental activities liability liquidated in the General Fund and business-type activities liability in the Solid Waste Disposal Fund.

(C) Interfund Balances and Activity

Interfund loans consisted of the following at June 30, 2023:

Due to General Fund:

From the Occupancy Tax Fund for June collection fees	\$ 50,383
From the Grant Projects Fund for short term cash flow needs	7,014,988
From the Public Schools ADM Sales Tax/Lottery Projects for short term cash flow needs	760,701
From the Housing/Open Space Bond Projects for short term cash flow needs	<u>42,558</u>
From the Occupancy Tax Fund for June collection fees	<u>\$ 7,868,630</u>

Transfers to/from other funds during the year ended June 30, 2023 consist of the following:

Major Governmental Funds:

General Fund:

From the General Fund to the Grant Projects Fund to fund grant matches	\$ 335,125
From the General Fund to the Special Projects Capital Projects Fund for housing and conservation projects and economic incentives	9,807,845
From the General Fund to the Special Projects Capital Projects Fund for reparations	2,000,000
From the General Fund to the County Capital Projects Fund to fund various capital projects and annual transfer per fund balance policy	1,803,066
From the General Fund to the Transportation Fund for transportation services	1,707,989
From the General Fund to the PDF Woodfin Downtown Fund to subsidize debt service costs	-
From the General Fund to the Emergency Telephone System Fund for 911 related expenses	4,518

AB Tech Capital Projects Fund:

From the AB Tech Capital Projects Fund to the General Fund for community college operations	5,000,000
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County Capital Projects Fund:

From the County Capital Projects Fund to the General Fund for FY23 vehicle purchases	3,408,895
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Nonmajor Governmental Funds:

From the Register of Deeds Automation Fund to the General Fund for reimbursement of automation related expenditures	26,624
---	--------

D) Fund Balance

Buncombe County has a revenue spending guideline for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond 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 may deviate from this policy if it is in the best interest of the County.

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	\$ 126,960,767
Less:	
Restricted or nonspendable	
Prepays	860,591
Long term receivables	7,259
Leases	267,200
Stabilization by State Statute	36,078,890
Capital projects	114,723
Permits and inspections	3,232,522
Soil and water conservation district	47,165
Tax reappraisal	283,399
Assigned	
Appropriated in FY24 budget	18,894,070
Fund balance policy minimum	<u>40,757,031</u>
Remainder available for appropriation	<u><u>\$ 26,417,917</u></u>

The County has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that fund balance after nonspendable and restricted amounts is at least equal to or greater than 15% of expenditures. The policy also specifies that fund unassigned fund balance at year end in excess of 20% of expenditures is to be transferred to the County Capital Projects Fund.

Outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. The General Fund encumbrance amounts are included in the stabilization of State statute amount reported in the above table.

Outstanding encumbrances at June 30, 2023:

<u>Fund</u>	<u>Encumbrances</u>
General	\$ 2,519,557
Grant Projects	10,418,569
Public School Capital Needs	1,298,617
AB Tech Capital Projects	3,074,364
County Capital Projects	7,327,081
Special Projects Capital Projects	1,267,906
Non-Major	105,538
	<u><u>\$ 26,011,632</u></u>

Note 4 - Joint Ventures

Vaya Health

The County participates in a joint venture to operate Vaya Health, a public managed care organization ("MCO"), which manages federal, state and local funding for services related to mental health, developmental disability, and substance abuse in its 22-county area. Buncombe County appoints one member of the 22-member board, with the other counties appointing the remainder. The County has an ongoing financial responsibility for the MCO because it is legally required to provide public health services either directly or jointly with other counties. None of the participating governments have any equity interest in the MCO, so no equity interest has been reflected in the financial statements at June 30, 2023. In accordance with the intergovernmental agreement between the participating governments, the County appropriated \$600,000 to the MCO to fund operations. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Asheville, NC 28806.

Asheville-Buncombe Technical Community College

The County, in conjunction with the State of North Carolina, the Buncombe County Board of Education and Madison County, participates in a joint venture to operate the Asheville-Buncombe Technical Community College. The board of trustees consists of 15 members, four appointed by the County, four appointed by the Governor (on behalf of the State of North Carolina), four appointed jointly by the Buncombe County and Asheville City Boards of Education, two appointed by Madison County, and one appointed by the Madison County Board of Education. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for facilities, the County periodically issues debt to provide financing for new and restructured facilities. Limited obligation bonds of \$52,155,859 in principal are outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibility to provide funding for the community college's facilities. The County contributed \$5,000,000 to the community college for operating purposes during the fiscal year ended June 30, 2023. In addition, the County made principal and interest payments of \$83,454 during the fiscal year on general obligation bonds and \$6,916,784 on limited obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2023. Complete financial statements for the community college may be obtained from the community college's administrative offices at 340 Victoria Road, Asheville, NC 28801.

Furthermore, by authority of Article 46 of Chapter 105 of the North Carolina General Statutes and following a majority vote of an advisory referendum in the November 2011 elections, the Buncombe County Board of Commissioners adopted a resolution in December 2011 to levy a local sales and use tax at a rate of one-quarter percent (.25%) to be used exclusively for the stated capital improvement needs of the community college. For this purpose, the County has created a fund to manage the collections and related capital projects and debt service expenditures. In June 2017 the Buncombe County Board of Commissioners adopted a resolution to expand the use of the sales and use tax to include major maintenance and operational needs of the community college. As required by the Board of Commissioners, the tax will sunset in 2029. All capital assets from this funding source will become the property of the community college and be reflected on their financial statements once completed.

Note 5 - Jointly Governed Organizations**Land of Sky Regional Council**

The County is a founding member of the Land of Sky Regional Council (Council) which serves four counties and fifteen municipalities. The Council coordinates various funding received from federal and state agencies and administers programs related to aging, workforce development, volunteer services and economic and community development. The participating governments appoint the Council's governing board. The County paid membership fees of \$164,483 to the Council during the fiscal year ended June 30, 2023.

Metropolitan Sewerage District of Buncombe County, North Carolina

The County appoints three members to the 14-member board of the Metropolitan Sewerage District of Buncombe County, North Carolina. The District owns, operates, and maintains a wastewater treatment plant and collector lines.

Note 6 - Summary Disclosure of Significant Commitments and Contingencies**Federal and State Assisted Programs**

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

Note 7 - Benefit Payments Issued by the State

The amounts listed below were paid directly to individual recipients by the State from federal and State monies. County personnel are involved with certain functions, primarily eligibility determinations, which cause benefit payments to be issued by the State. These amounts disclose this additional aid to County recipients that do not appear in the basic financial statements because they are not revenues and expenditures of the County.

	Federal	State
Special Supplemental Nutrition Program for Women, Infants and Children	\$ 3,716,703	\$ -
Work First/Temporary Assistance for Needy Families (TANF)	668,577	-
Refugee Assistance	211,273	-
Adoption Assistance	2,422,483	433,828
Medical Assistance	367,251,701	143,073,257
State Children's Insurance Program	1,870,466	420,193
State/County Special Assistance for Adults	-	1,255,451
Child Welfare Services Adoption Subsidy	-	736,223
Totals	<u>\$ 376,141,203</u>	<u>\$ 145,918,952</u>

Note 8 - Unrestricted Net Position

Under North Carolina law, the County is responsible for providing capital funding for the Buncombe County Board of Education, the Asheville City Board of Education (the school systems) and the Asheville-Buncombe Technical Community College (the community college). The County has chosen to meet its legal obligation to provide school systems and community college capital funding by using a mixture of County funds and debt. The assets funded by the County are owned and used by the school systems and the community college. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets.

At the end of the fiscal year, the outstanding debt balance was \$160,340,410 and \$52,155,859 for the school systems and community college, respectively. Of the combined total, \$7,200,000 is general obligation debt, which is collateralized by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, necessary to pay debt service on its general obligation bonds. The remainder of the debt is installment debt and is collateralized by County assets. Principal and interest requirements are appropriated in the year they become due.

Note 9 - Pledged Revenues

The County and the Town of Woodfin have pledged a portion of their future ad valorem tax revenues to repay \$11,285,000 in Series 2014A limited obligation bonds issued in February 2014. This issuance refunded \$11,885,000 of Series 2008 Project Development Financing (PDF) Revenue Bonds that were used to finance the Woodfin Downtown project. A portion of this was again refunded by the Series 2022B taxable limited obligation bonds. The bond principal is payable from the incremental ad valorem tax revenues generated by increased property values in the refurbished district to the extent that these revenues are available. In the event that the incremental tax revenues are not sufficient to meet the debt service requirements, the Buncombe County General Fund will advance the funds necessary to keep the debt service current. The Buncombe County General Fund will then be reimbursed as additional incremental revenues become available in the future.

The total principal and interest amount remaining on the bonds is \$10,395,000 payable through June 2037. Total principal and interest payments on the Series 2014A limited obligation bonds from July 1, 2022 through June 30, 2023 were \$741,105. Accumulated tax revenue for the same period of time was \$750,671.

Note 10 – Restatements**Change in Accounting Principle (Column A)**

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was implemented for the current year. In one case, this meant reclassifying a previously recorded intangible capital asset to a right-to-use asset. Due to the change, the County disposed of the intangible asset and all accumulated amortization that was

previously recorded with the loss posting against net position. The effect of this change from the implementation of the new accounting standard is shown in column A of the table below.

Correction of an Error in Previously Issued Financial Statements (Column B)

During fiscal year 2022, the County began receiving settlement funds from multiple opioid lawsuits between the State and various drug manufacturers. It was determined based on the guidance at the time, that settlement proceeds were to be classified as unearned revenues until the corresponding expenditures were made. During the current fiscal year, it was determined that the previous guidance was incorrect and that settlement proceeds were to be recorded as revenue in the period they are received. Therefore, revenues in the Opioid Settlement Fund were understated by \$621,438 for the year ended June 30, 2022. The effect of this change on fund balance is shown in column B of the table below.

	June 30, 2022 As Previously Reported	Changes in Accounting Principle (A)	Error Correction (B)	June 30, 2022 As Restated
Government Wide				
Governmental Activities	\$ (75,708,493)	\$ (3,493,907)	\$ 621,438	\$ (78,580,962)
Business-Type Activities	29,286,083	-	-	29,286,083
Total Primary Government	<u>\$ (46,422,410)</u>	<u>\$ (3,493,907)</u>	<u>\$ 621,438</u>	<u>\$ (49,294,879)</u>
Governmental Funds				
General Fund	\$ 124,314,054	\$ -	\$ -	\$ 124,314,054
Occupancy Tax	-	-	-	-
Special Taxing District	-	-	-	-
Grant Projects	(1,942,419)	-	-	(1,942,419)
Public School Capital Needs	41,374,724	-	-	41,374,724
AB Tech Capital Projects	18,880,834	-	-	18,880,834
Public School ADM Sales Tax/Lottery Projects	-	-	-	-
County Capital Projects	30,667,068	-	-	30,667,068
Special Projects Capital Projects	14,194,119	-	-	14,194,119
Other Governmental Funds	6,090,120	-	621,438	6,711,558
Total Governmental Funds	<u>\$ 233,578,500</u>	<u>\$ -</u>	<u>\$ 621,438</u>	<u>\$ 234,199,938</u>

The following financial statements have been compiled from the audited financial statements of the County for the fiscal years ended June 30, 2023, 2022, and 2021.

Buncombe County, North Carolina
General Fund
Balance Sheet
As of June 30, 2023, 2022, and 2021

	2023	2022	2021
Assets			
Cash and cash equivalents	\$ 113,116,079	\$ 117,178,482	\$ 111,927,324
Restricted cash and cash equivalents	1,824,798	449,064	583,055
Receivables, net	6,857,424	6,666,080	5,892,234
Due from other governments	19,690,962	22,822,674	20,181,021
Due from other funds	7,868,630	1,545,953	89,907
Prepaid items	860,591	228,446	69,233
Long-term receivable	7,259	11,207	17,717
Lease receivable	15,252,634	21,138,268	-
Total assets	<u>\$ 165,478,377</u>	<u>\$ 170,040,174</u>	<u>\$ 138,760,491</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable and accrued liabilities	\$ 13,955,809	\$ 15,101,450	\$ 13,961,226
Payable from restricted assets	34,019	-	1,686
Unearned revenue	1,390,220	944,765	-
Other liabilities	3,336,719	3,334,125	3,310,559
Total liabilities	<u>18,716,767</u>	<u>19,380,340</u>	<u>17,273,471</u>
Deferred Inflows of Resources	<u>19,800,843</u>	<u>26,345,780</u>	<u>4,836,009</u>
Fund Balances			
Non-spendable	1,135,050	453,917	86,950
Restricted:			
Stabilization by state statute	36,078,890	29,496,399	23,511,914
Capital projects	114,723	110,789	226,751
Other	3,563,086	2,392,872	1,845,592
Committed:			
Capital projects	-	1,803,066	15,172,602
Assigned:			
Subsequent year expenditures	18,894,070	15,947,652	9,344,348
Unassigned	67,174,948	74,109,359	66,462,854
Total fund balances	<u>126,960,767</u>	<u>124,314,054</u>	<u>116,651,011</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 165,478,377</u>	<u>\$ 170,040,174</u>	<u>\$ 138,760,491</u>

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

Buncombe County, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2023, 2022, and 2021

	2023	2022	2021
Revenues			
Ad valorem taxes	\$ 244,033,754	\$ 235,895,731	\$ 219,807,334
Local option sales tax	44,650,927	42,321,900	37,062,183
Other taxes and licenses	10,226,631	12,160,723	9,376,262
Unrestricted intergovernmental	5,542,083	2,737,810	2,084,204
Restricted intergovernmental	45,232,296	46,356,340	45,879,582
Permits and fees	5,573,697	5,498,064	5,310,142
Sales and services	23,086,737	24,460,157	21,788,767
Investment earnings	6,852,840	(133,968)	26,813
Other	697,763	1,862,593	1,527,441
Total revenues	<u>385,896,728</u>	<u>371,159,350</u>	<u>342,862,728</u>
Expenditures			
Current:			
General government	65,481,271	56,300,529	49,261,993
Public safety	79,947,631	68,892,097	65,297,896
Economic and physical development	7,326,317	7,523,631	7,434,692
Human services	89,497,217	88,389,362	85,089,564
Cultural and recreational	9,061,236	7,808,208	7,881,376
Education	109,038,706	98,693,816	92,223,088
Debt service:			
Principal	15,880,047	13,818,946	13,031,820
Interest and other charges	5,783,036	6,078,649	6,684,716
Total expenditures	<u>382,015,461</u>	<u>347,505,238</u>	<u>326,905,145</u>
Revenues over expenditures	<u>3,881,267</u>	<u>23,654,112</u>	<u>15,957,583</u>
Other Financing Sources (Uses)			
Sale of capital assets	36,903	99,186	116,742
Installment obligations issued	-	1,153,000	112,600
Payment to refunded bond escrow agent	-	(1,150,217)	-
Lease liabilities issued	5,951,567	1,901,015	-
Transfers from other funds:			
Special revenue funds	26,624	25,345	44,564
Capital projects funds	8,408,895	5,022,157	5,040,000
Internal service funds	-	-	2,914,984
Transfers to other funds:			
Special revenue funds	(2,047,632)	(2,969,178)	(2,299,609)
Capital projects funds	(13,610,911)	(20,072,377)	(3,020,930)
Total other financing sources (uses)	<u>(1,234,554)</u>	<u>(15,991,069)</u>	<u>2,908,351</u>
Net change in fund balance	<u>2,646,713</u>	<u>7,663,043</u>	<u>18,865,934</u>
Fund Balances			
Fund balance, beginning of year	124,314,054	116,651,011	97,785,077
Fund balance, end of year	<u>\$ 126,960,767</u>	<u>\$ 124,314,054</u>	<u>\$ 116,651,011</u>

The accompanying notes are an integral part of these financial statements

The following financial statements have been compiled from the budget ordinance and related amendments of the County for the fiscal year ending June 30, 2024.

Buncombe County, North Carolina
Compiled Budget - General Fund
For the Fiscal Year Ending June 30, 2024
As of February 29, 2024

	<u>General Fund</u>
Estimated revenues	
Ad valorem taxes	\$ 255,523,889
Local option sales tax	48,946,195
Other taxes and licenses	11,331,000
Intergovernmental	53,987,641
Permits and fees	5,380,868
Sales and services	22,447,698
Other	<u>2,499,133</u>
Total estimated revenues	<u>400,116,424</u>
 Appropriations	
General government	72,247,549
Public safety	90,478,146
Economic and physical development	10,490,821
Human services	96,329,068
Cultural and recreational	10,913,717
Education	121,902,573
Debt service:	
Principal	14,114,173
Interest and other charges	<u>5,791,504</u>
Total appropriations	<u>422,267,551</u>
 Estimated revenues under appropriations	 <u>(22,151,127)</u>
 Other financing sources (uses)	
Issuance of debt	2,673,251
Transfers from other funds:	
Special revenue funds	26,625
Capital projects funds	7,435,290
Internal service funds	2,000,000
Transfers to other funds:	
Special revenue funds	(3,186,804)
Capital projects funds	(11,053,812)
Appropriated fund balances	<u>24,256,577</u>
Total other financing sources	<u>22,151,127</u>
 Total estimated revenues and other financing sources over appropriations and other uses	 <u><u>\$ -</u></u>

Compiled by the staff of the finance department of Buncombe County.



June __, 2024

County of Buncombe, North Carolina
Asheville, North Carolina

\$ _____
County of Buncombe, North Carolina
Taxable General Obligation Housing Bonds, Series 2024

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of the \$ _____ County of Buncombe, North Carolina (the “County”) Taxable General Obligation Housing Bonds, Series 2024 (the “Bonds”).

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times established in a bond resolution adopted by the Board of Commissioners for the County on April 16, 2024 related to the Bonds (the “Bond Resolution”) and in the Pricing Certificate (as defined in the Bond Resolution).

In connection with the issuance of the Bonds, we have examined the following, and we have assumed the truth and accuracy of the representations, covenants and warranties set forth therein:

- a. Certified copies of (1) the Bond Resolution and the Bond Order (as defined in the Bond Resolution);
- b. A specimen Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

From such examination we are of the opinion, under existing law, that:

1. The Bonds have been duly authorized under the provisions of the Constitution and laws of the State of North Carolina (the “State”), including The Local Government Bond Act, Section 159-43 *et seq.*, of the General Statutes of North Carolina.

2. The Bonds are legal, valid and binding general obligations of the County. The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

3. The County has pledged its faith and credit for the payment of the principal of and the interest on the Bonds. The County is authorized to levy on all real property taxable by the County such ad valorem taxes as may be necessary to pay the Bonds and the interest thereon without limitation as to rate or amount.

4. Interest on the Bonds is taxable as ordinary income for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

5. Interest on the Bonds is exempt from State of North Carolina income taxation.

Our services as bond counsel in connection with the issuance of the 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 Bonds and the tax status of interest with respect thereto.

We have not been engaged or undertaken to review 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 Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion herein relating thereto (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 on the Bonds that may have been relied on by anyone in making the decision to purchase the Bonds.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us 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.

Respectfully submitted,

PARKER POE ADAMS & BERNSTEIN LLP

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

Constitutional Provisions

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

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

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

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

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

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

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

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

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

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

The Local Government Bond Act

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

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

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

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

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

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

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

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

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

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

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

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

Short-Term Obligations

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

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

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

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

The Local Government Budget and Fiscal Control Act

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

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

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

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

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

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

Major General Fund Revenue Sources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Local Government Sales and Use Taxes

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

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

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

Alcoholic Beverage Control Store Profits

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

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

Intragovernmental Shared Revenues

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

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

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

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

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

State and Local Fiscal Relations

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

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

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

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

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

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

BOOK-ENTRY ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The Commission or the County may decide to discontinue use of the system of book-entry- only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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

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