

Metropolitan Sewerage District of Buncombe County, North Carolina



Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2023

Annual Comprehensive Financial Report

for the Fiscal Year Ended June 30, 2023

PRINCIPAL OFFICIALS	
Board Member	Representative of
M. Jerry VeHaun, Chairman	Town of Woodfin
E. Glenn Kelly, Vice-Chairman	Town of Biltmore Forest
Jackie W. Bryson, Secretary/Treasurer	Woodfin Sanitary Water & Sewer District
Matt Ashley, Jr.	Town of Montreat
Sheila Franklin	Henderson County
William G. Lapsley	Henderson County
Esther Manheimer	City of Asheville
Chris Pelly	City of Asheville
Nathan Pennington	Buncombe County
Robert Pressley	Buncombe County
Earl Valois	Town of Weaverville
Robert C. Watts	Town of Black Mountain
Al Whitesides	Buncombe County
Gwen Wisler	City of Asheville

Legal Counsel	Engineer of Record
Roberts & Stevens, P.A.	McGill Associates, P.A.

General Manager	Director of Finance
Thomas E. Hartye, P.E.	W. Scott Powell, CLGFO

Prepared By: Financial Services Department
W. Scott Powell, CLGFO, Director of Finance Cheryl S. Rice, Accounting Manager
Jody Germaine, Budget Analyst

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Introduction Section



Metropolitan Sewerage District

OF BUNCOMBE COUNTY, NORTH CAROLINA

October 17, 2023

To the Metropolitan Sewerage District of Buncombe County, North Carolina
Board of Directors, Bondholders, and Customers

We are pleased to present the Annual Comprehensive Financial Report of the Metropolitan Sewerage District of Buncombe County, North Carolina (MSD or District) for the Fiscal Year ended June 30, 2023. State law requires local governments to publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. MSD's Bond Order requires release of such audited financial statements within seven months of the close of the fiscal year. This Annual Report presents MSD's financial statements and adds this transmittal letter and statistical data to assist the reader in analyzing our financial statements.

The report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, MSD's management established an internal control framework designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, MSD's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Cherry Bekaert LLP, a firm of licensed certified public accountants, has audited the financial statements. The goal of the independent audit was to provide reasonable but not absolute assurance that MSD's financial statements for the Fiscal Year ended June 30, 2023, are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MSD's financial statements for the Fiscal Year ended June 30, 2023, are fairly presented in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

Accounting standard (GASB No. 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A, which is placed immediately following the report of the independent auditors and should be read in conjunction with it.

Accounting standard (GASB No. 44) calls for revised statistical reports designed to increase assistance to the reader in assessing the financial situation and condition of the District. Readers may note some changes in report formats from prior years. In addition, new schedules for which there is no information prior to implementation of GASB No. 34 may have less than the otherwise required ten years of comparative data.

Financial trend information is presented to assist readers in understanding and assessing how a government's financial position has changed over time. Revenue capacity information is intended to assist users in understanding and assessing the factors affecting a government's ability to generate revenues.

Debt capacity information is designed to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt. Demographic and economic information is intended to ①assist users in understanding the socioeconomic environment within which a government operates and ②provide information that facilitates comparisons of financial statement information over time and among governments.

Operating information should provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.

Profile of the District

A. Overview

The District was created by the state of North Carolina in 1962 to provide a wastewater treatment plant serving the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, Woodfin, the Woodfin Sanitary Water & Sewer District, and certain other unincorporated areas of Buncombe County. Through separate contractual arrangements, the District also serves customers in the Cane Creek Water and Sewer District in northern Henderson County and in the Avery Creek Sanitary Sewer District in southern Buncombe County. The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 1,140 miles of sewer line with 33,890 manholes and serves approximately 59,000 residential and commercial customers and over 20 significant industries.

The wastewater treated by the District is gathered in the collector sewer systems located primarily within the boundaries of the municipalities and other political subdivisions comprising the District and conveyed to the wastewater treatment plant through large sewer lines called interceptors that generally run parallel to the French Broad River, the Swannanoa River or one of their primary and secondary tributaries. Included in the system are remote pumping stations that pump wastewater through force mains where gravity flow is not feasible.

With the Sewer Consolidation, which was signed in 1990, the District agreed to take possession of and to operate, maintain, and repair or replace, as necessary, the various collector sewer systems, which were simultaneously deeded to MSD by these same political subdivisions. Many of the collector sewer systems were undersized, deteriorated, and inadequately maintained. Since taking over the sewer systems, the District has developed and implemented, with input from its member political subdivisions, an ongoing Capital Improvement Program (the "CIP"). Approximately 1,381,000 linear feet of existing sewer line have been replaced since consolidation, representing over 26.3% of the entire collection system.

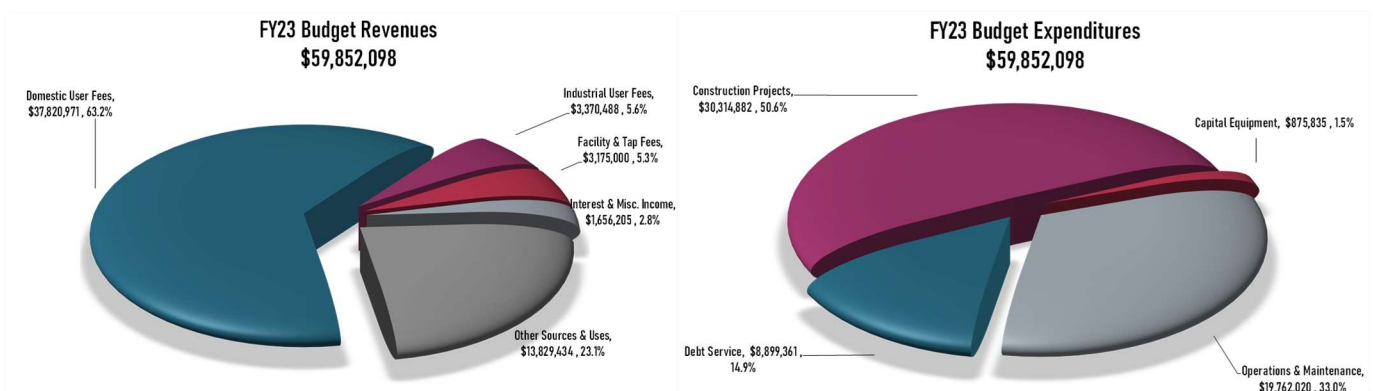
In addition, the District expects to replace approximately 204,000 feet of existing sewer lines over the next five years. The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then are videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans and inspects by videotaping between 15% and 20% of its system each year.

The District also owns, operates, and maintains a 40 million gallon per day (MGD) wastewater treatment plant to treat raw sewage and industrial wastewater as well as a hydroelectric facility, which is used to generate power for the wastewater treatment plant, which helps defray utility costs for the operation.

Member agencies providing water service include the sewer fees on their water bills and provide customer service and collection services to the District for a negotiated fee. However, the District direct bills about 500 customers, predominantly local industries, and private residences served by wells, yet connected to the sewer system.

B. Budget

The annual budget serves as the foundation for the District's financial planning and control. The Bond Order requires that the District adopt its final budget on or before June 15 of each year after a preliminary budget hearing no more than 30 days prior to adoption. North Carolina General Statutes call for an annual balanced budget ordinance based upon expected revenues, along with a budget message, to be presented to the governing board no later than June 1. During the spring, District departmental staff work with the Board's Finance and Personnel Committees to develop an operational budget by function (administration, system services, plant operation, etc.), and District engineers work with the Board's Planning and Capital Improvement Plan Committees on a capital budget.



After the Board approves the budget, it is administered by Department heads who may make transfers of appropriations within a department and by the General Manager who may make transfers between departments. Budget to actual comparisons of financial data for the Fiscal Year ended June 30, 2023 are in the supplemental information following the notes to the financial statements.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

A. Local Economy

The Asheville-Buncombe County area in which the District is located possesses a combination of characteristics that help protect it in the current economic climate. They consist of a re-emerging more technologically advanced industrial base, a strong tourism position, concentrated healthcare employment, manufacturing diversity, and positive population in-migration. These factors are discussed in further detail in the Management's Discussion and Analysis (MD&A).

Local economic development initiatives and various private/public programs have arisen in response to these recent developments designed to strengthen the local economy. Industrial recruitment, workforce development, urban revitalization, broadband access, and improvements to interstate highways are examples of active and pending projects. Area leaders realize the importance of cooperation and action to maintain a healthy, diverse, and sustainable economy.

While industrial usage is uniform, residential, and commercial expansion has resulted in a higher demand for MSD services, as evidenced by growth in overall revenue, and especially by facility and tap fees directly resulting from new development. The majority of new residents being District customers result from emphasis on in-fill development by local communities and large new subdivisions with developer-donated sewer infrastructure.

B. Long-Term Financial Planning

In November 2008, the District's Collection System Master Plan was completed. This plan focuses on the orderly growth of the collection system into future service areas. As the sewer system grows over time, this plan will ensure that extensions of the system are made in an orderly fashion, in accordance with the planning policies of the District's member agencies.

In 2015, the District updated the Facility Plan for the WRF. It focused on future regulatory requirements, the viability of existing processes, long-term costs, and needed performance. This comprehensive plan recommends various options for the future of the treatment plant and will help the District continue to protect our local environment by implementing the latest technologies in a phased, cost-efficient manner. The short-term and mid-term projects are scheduled within the 10-year CIP.

Using these plans as guides, District engineers developed a ten-year Capital Improvement Program (CIP), which is updated annually. The capital budgeting process begins with considering projects identified in these plans, as well as those recommended by various departments to deal with recurring wastewater collection and treatment problems. Engineering staff prioritize such projects, preparing cost estimates and a suggested timetable for construction.

The CIP Committee, consisting of representatives from the District's member agencies, meets to review the program and to make recommendations to the Board concerning the CIP's adoption as part of the annual budget.

The CIP continues to have the largest impact on the District's current and future financial position. In connection with the long-term CIP, the District prepares a ten-year cash flow projection, which integrates revenue and expenditure projections with planned capital expenditures to anticipate rate increases and timing of debt issuance.

Major Initiatives and Accomplishments

A. Collection System & Plant Rehabilitation

The District maintains an aggressive, proactive rehabilitation program for both the regional 1,140-mile collection system and the treatment plant facility. MSD assumed ownership and maintenance of the local public collection systems in 1991 and since that time over \$497.0 million has been re-invested back into the system.

► Weaverville Pump Station Replacement

This \$22.2M project is for the replacement of the Weaverville Pumping System. The new 5MGD



pump station and force main will be sized to accommodate a future expanded service area and flows through 2070. Weaverville PS No. 1 will convey flow directly to the plant, and PS No. 2 (which currently repumps 100% of the flow) will be converted to a smaller residential pump station. Design and permitting are nearly complete and the project will be advertised late 2023.

➤ **RBC Slide Gate Replacement**

This project replaced failing slide gates in RBC Basins 2 and 3 at the Water Reclamation Facility. The existing aluminum gates were replaced with new stainless steel gates to prevent corrosion. The new gates allow treatment basins to be isolated and drained for proper maintenance and will play a critical role in construction of the future biological treatment upgrade. This project is being phased over two fiscal years. Phase 1 was completed last fiscal year and Phase 2 will be completed in FY23/24.



➤ **Carrier Bridge Pump Station Replacement**

This \$65.2 million project is for the replacement of the Carrier Bridge Pump Station. Carrier Bridge is the District's largest pump station and serves significant areas of Buncombe and northern Henderson Counties. Its current capacity is 22 MGD and will be expanded to 40 MGD with the ability to be further expanded in the future. Design and permitting is currently underway, with construction expected to begin by Spring 2025.

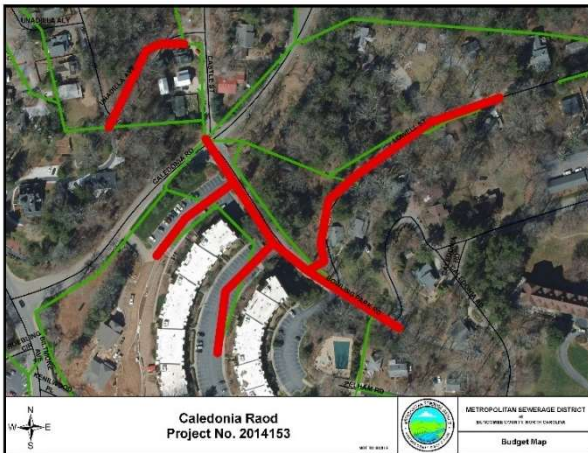


➤ **Equipment Storage Building**

On November 10, 2020 a fire destroyed MSD's Alkaline Stabilization Building, also known as the "Nutri-Lime Building", which is located on the main plant property. The Nutri-Lime process was decommissioned in the early 1990s and the facility had been utilized for equipment storage ever since. A new storage facility was constructed at the same location and was completed last fiscal year.



➤ Caledonia Road Sewer Rehabilitation Project



The Caledonia Road rehabilitation project was located at the Caledonia Road entrance of the Kenilworth neighborhood, south of Mission Hospital. The project included the installation of approximately 2,129LF of new 8-inch PVC pipe installed by dig and replace. The old lines were 6-inch clay that were undersized and in poor condition. Multiple SSOs and manhole overflows had occurred due to the condition of the old pipe.

➤ Toxaway Street Sewer Rehabilitation Project

Another rehabilitation project completed this past year was the Toxaway Street sewer rehabilitation in West Asheville, between Hazel Mill Road and Westwood Place. Approximately 722LF of 8-inch PVC was installed to replace old 6-inch clay lines. The old lines had extensive structural and root problems that resulted in multiple sewer backups and overflowing manholes.



➤ Aurora Drive Sewer Rehabilitation Project



This project was located in Kenilworth along portions of Aurora Drive and Springdale Road. Approximately 2,480LF of new 8-inch HDPE pipe was installed by pipe bursting. The old 6-inch clay lines were undersized and in poor condition with multiple structural defects and heavy root intrusion. These issues had led to major inflow and infiltration.

► Bent Tree Road Sewer Rehabilitation Project

Another project completed last year was Bent Tree Road. The project was located in Asheville on Town Mountain. Lines were replaced on Old Toll Road, Bent Tree Road, and Crestwood Road, totaling approximately 1,654LF. Old 4-inch and 6-inch clay and DIP pipe were in poor condition and the source of major I&I. The project removed a portion of DIP that was installed on top of the ground and exposed to the environment.



► Le An Hurst Road Sewer Rehabilitation Project



This project was located south of I-40 near Biltmore Forest and ran cross country between Le An Hurst Road and Rock Hill Road. Approximately 847LF of old 8-inch clay pipe was replaced with 8-inch PVC and 8-inch HDPE pipe installed via dig and replace, and pipe bursting, respectively. The old lines were in poor condition with structural defects and major I&I.

Significant Reduction of Sanitary Sewer Overflows

Reduction of Sanitary Sewer Overflows (SSO's) is one of the District's primary goals related to the collection system. This has been accomplished by aggressive rehabilitation and preventative maintenance (line cleaning) programs. Over the past twelve years, the District has realized a significant reduction of SSO's – from 289 in FY2000 to 25 in FY2023.

National Environmental Achievement Award

In February 2017, MSD received a National Environmental Achievement Award from NACWA for its Incinerator System Emissions Upgrades Project. This award recognizes individuals and NACWA member agencies that have outstanding contributions to environmental protection and the clean water community. This \$7.4 million project reduced emissions from the incinerator, and utilized a new mercury removal technology, which saved MSD ratepayers \$5 million over traditional technology.



Peak Performance Award Recognition

The District was recognized once again for outstanding wastewater treatment efforts by the National Association of Clean Water Agencies (NACWA) and received the prestigious NACWA Gold Award signifying consistent NPDES permit compliance during the 2019 calendar year. This marks the nineteenth year the District has been honored with a "Peak Performance Award" representing continued excellence in environmental protection.



Excellence in Management Recognition Award

National Association of Clean Water Agencies (NACWA) established the Excellence in Management (EIM) Recognition Program to recognize public clean water utilities that implement progressive management initiatives and thereby advance the goals of the Clean Water Act. NACWA is committed to clean water and a healthy environment and strives to help ensure that member agencies have the tools they need to meet these objectives. In 2015, the District received gold recognition.



Improved Customer Service Response

The Systems Services Department reclassified a management position to that of a first responder to handle emergency calls between 2:00 p.m. and 10:30 p.m. as well as holidays, which reduced average response time from 90 minutes in FY2006 to 34 minutes in FY2023.

Environmental Regulations Compliance

The District received favorable regulatory reports from the North Carolina Department of Environmental Quality (NCDEQ) for wastewater discharge, pretreatment, collections system, and air quality permits. In addition, the District maintained ISO 14001 Environmental compliance certification.

Another requirement of the annual Collection Systems permit is to perform preventative maintenance on at least 600,000 linear feet of sewer line. During the current year, the District cleaned approximately 898,177 linear feet.

Continuing Disclosure Obligation

The District issued revenue bonds most recently in May 2018. In accordance with the requirements of the Securities Exchange Commission Rule 15C-12, as amended, and the North Carolina Local Government Commission, the District will provide continuing disclosure information to recognized municipal security information repositories. This will include the audited financial statements, historical net revenues and debt coverage, future rate increases and listing of the District's largest commercial and industrial customers.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Metropolitan Sewerage District of Buncombe County, North Carolina for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2022. This was the twenty-eighth consecutive year that the District has achieved this prestigious award. In order to receive a Certificate of Achievement award, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

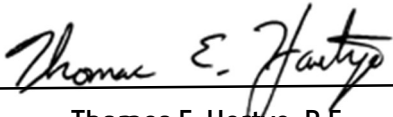
In addition, the District also received the GFOA's Distinguished Budget Presentation Award for its annual FY2023 budget document. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the twenty-fifth consecutive year that the District has achieved this prestigious award.

Acknowledgments

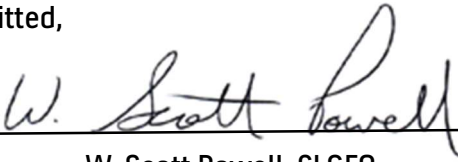
The preparation of this report could not have been accomplished without the dedicated services of staff throughout the District and the District's independent auditor, Cherry Bekaert LLP. We would like to acknowledge the hard work and dedication of Cheryl Rice, the District's Accounting Manager. In addition, a special thanks to Jody Germaine who assembled the Annual Report documents and prepared the graphs, and to Asheville Chamber of Commerce for the current economic data and insightful identification of business trends.

We also would like to thank the members of the Finance Committee and Board for their support of maintaining high standards of fiscal accountability and responsibility for the District.

Respectfully Submitted,



Thomas E. Hartye, P.E.
General Manager



W. Scott Powell, CLGFO
Director of Finance

Certificate of Achievement



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Metropolitan Sewerage District of Buncombe County
North Carolina**

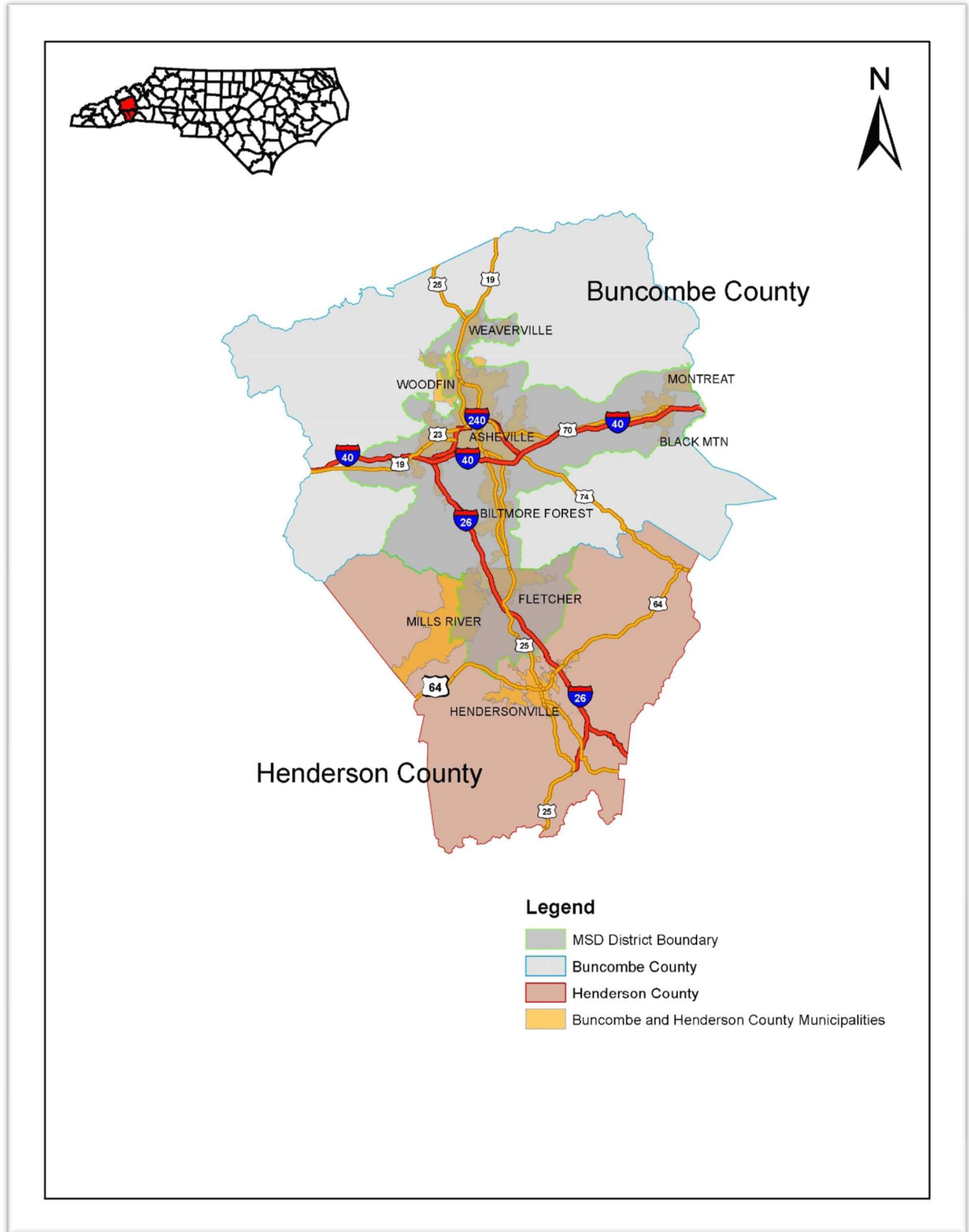
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Map of District Boundary



Principal Officials

<u>Board Members</u>	<u>Representative of</u>
Matt Ashley, Jr.	Town of Montreat
Jackie W. Bryson, Secretary/Treasurer	Woodfin Sanitary Water & Sewer District
Douglas Dearth	Town of Weaverville
Sheila Franklin	Henderson County
E. Glenn Kelly	Town of Biltmore Forest
William G. Lapsley	Henderson County
Esther Manheimer	City of Asheville
Martin Moore	Buncombe County
Chris Pelly	City of Asheville
Nathan Pennington	Buncombe County
M. Jerry VeHaun, Chairman	Town of Woodfin
Robert C. Watts	Town of Black Mountain
Al Whitesides	Buncombe County
Gwen Wisler	City of Asheville

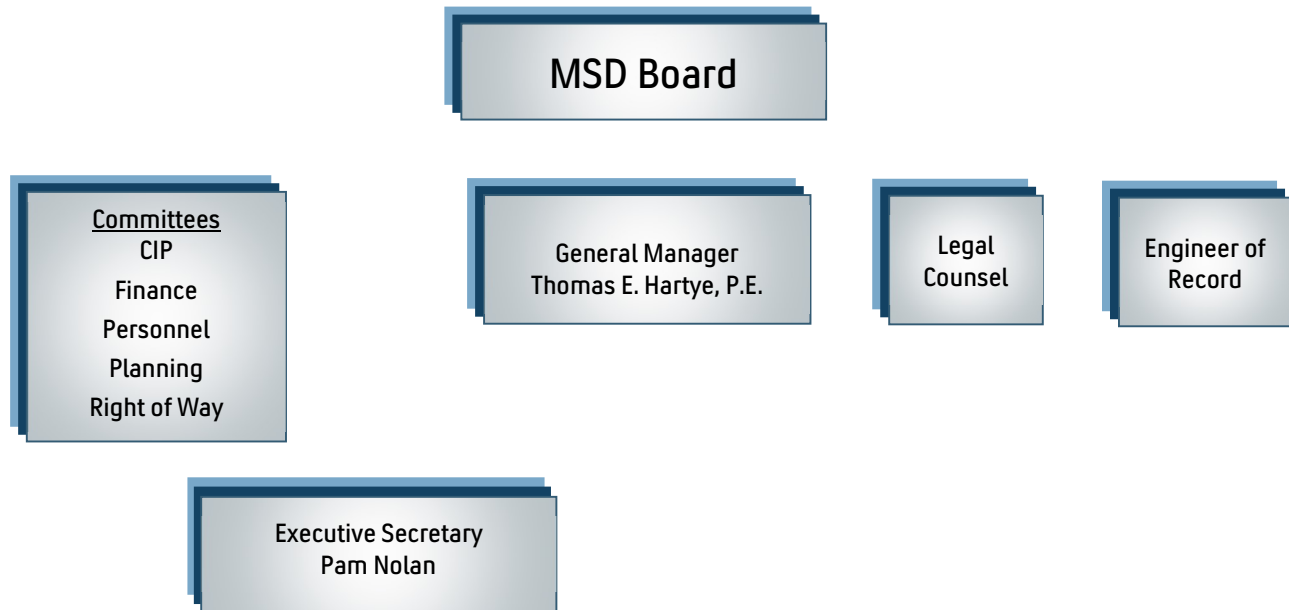
Legal Counsel
Roberts & Stevens, P.A.

Engineer of Record
McGill Associates, P.A.

General Manager
Thomas E. Hartye, P.E.

Director of Finance
W. Scott Powell, CLGFO

Organizational Chart



Engineering	Financial Services	Human Resources	Information Technology	System Services Construction	System Services Maintenance	Waste Treatment
Director Hunter Carson, P.E.	Director W. Scott Powell, CLGFO	Director Pam Thomas	Director Matthew Walter	Director Mike Stamey, P.E.	Director Ken Stines	Director Bart Farmer
Project Management Design/Drafting Capital Projects Right-of-Way Allocations Taps Sewer Expansion	Accounting Budget Cash Flow Mgmt. Facilities Maintenance Finance Financial Forecasting Fleet Maintenance Investments Purchasing Warehouse	Employee Relations Payroll Employee Benefits Environmental Health & Safety	Information Technology Management Information Systems Geographical Information Systems	Construction Administration Construction (in-house) Emergency Maintenance	Electrical Mechanical Preventative Maintenance Technical Services Pump Station Maintenance	Operations Industrial Waste Reclamation Services
# of employees = 15	# of employees = 17	# of employees = 7	# of employees = 10	# of employees = 34	# of employees = 49	# of employees = 19

Number of Employees: 152

Financial Section

Report of Independent Auditor

Board of Directors
Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental financial data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental financial data are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introduction and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina
October 17, 2023

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Management's Discussion and Analysis

As management of the Metropolitan Sewerage District of Buncombe County (District), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the Fiscal Year ended June 30, 2023.

Financial Highlights

A. Net Position

Net Position is defined as the value of all assets, plus deferred outflows of resources, less all liabilities and deferred inflows of resources. Restricted net position is restricted by law, bond covenant, or other contractual arrangement, less debt incurred. The financial well-being of a government is reflected to a large degree by the growth of net position.

- ▶ The District's net position totals \$519.5 million and reflects a \$25.4 million or 5.2% increase from the prior year. The income and expense items affecting this improvement will be discussed in greater detail in the section, "Financial Analysis of the District" on page 3.
- ▶ The \$25.4 million increase is attributable to the District's normal operations and includes contributed capital assets from developers of \$6.4 million
- ▶ Net investment in capital assets increased by \$22.4 million or 5.4%, evidencing the District's continued rehabilitation of infrastructure as well as an increase in donated capital.

B. Outstanding Debt

After principal repayments of \$6.4 million, the District has approximately \$82 million of outstanding debt exclusive of related unamortized discounts and premiums.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: ① the financial statements and ② notes to the financial statements that explain in more detail some of the information in the financial statements.

After the notes, supplemental information is provided to show details about the District's fund structure as set forth in the Bond Order. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

A. Basic Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by private-sector companies. There are three required statements, which provide both long-term and short-term information about the District's overall financial status.

- ✦ The **Statement of Net Position** presents information on all the District's assets, plus deferred outflows of resources, less liabilities, and deferred inflows of resources with the difference reported as net position. This Statement provides information about the types and amounts of resources (assets), deferred outflows of resources, the obligations to the District's employees and creditors (liabilities), and deferred inflows of resources, which may be used to measure the financial health of the District by providing the basis for evaluating the capital structure of the District and assessing liquidity and financial flexibility.
- ✦ The **Statement of Revenues, Expenses, and Changes in Net Position** presents the current year's results of operations and can be used to determine how successful the District has been in collecting revenues, controlling expenses, and recovering costs through user fees and charges.
- ✦ The final required financial statement is the **Statement of Cash Flows**. This Statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities, and may be used to determine how cash originated, what that cash was used for, and how these activities resulted in the change to cash balance during the year.

These financial statements should be evaluated with other external factors such as economic conditions, regional employment statistics, and population growth for a more complete analysis of the District's current and future financial condition.

Financial Analysis of the District

A. Net Position

As previously noted, net position may serve over time as one useful indicator of an entity's financial condition. The District's assets plus deferred outflows of resources exceeded liabilities and deferred inflows by \$519.5 million at June 30, 2023.

The largest proportion of the District's net position, approximately 83.8%, reflects the District's net investment in capital assets (e.g., land, buildings, interceptor and collector sewer lines, treatment facilities, equipment, etc.), less any related debt outstanding that was issued to acquire these items. As these assets are required to provide wastewater collection and treatment services, these resources are not available for future spending. Although the District'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 as the capital assets cannot be used to liquidate these liabilities.

An additional \$6.9 million or 1.3% of the District's net position are funds restricted by the Bond Order to be held in reserve for either debt service or for emergency capital equipment repair or replacement. The remaining balance of \$77.3 million is unrestricted and may be used to fund pay-as-you-go capital projects, medical or workers' compensation claims, replacement reserves, or any other legal purpose.

The District's overall financial position improved during the Fiscal Year ended June 30, 2023 as overall net position grew by 5.2%. The District's financial strategy is to set rates at a level sufficient to cover operating and debt service expenses as well as to provide about half of the funding for pay-as-you-go infrastructure rehabilitation. The success of this approach is visible in the continuing growth of the District's net position. Current assets will decrease gradually as cash and investments are used to rehabilitate infrastructure, until the next planned revenue bond issuance.

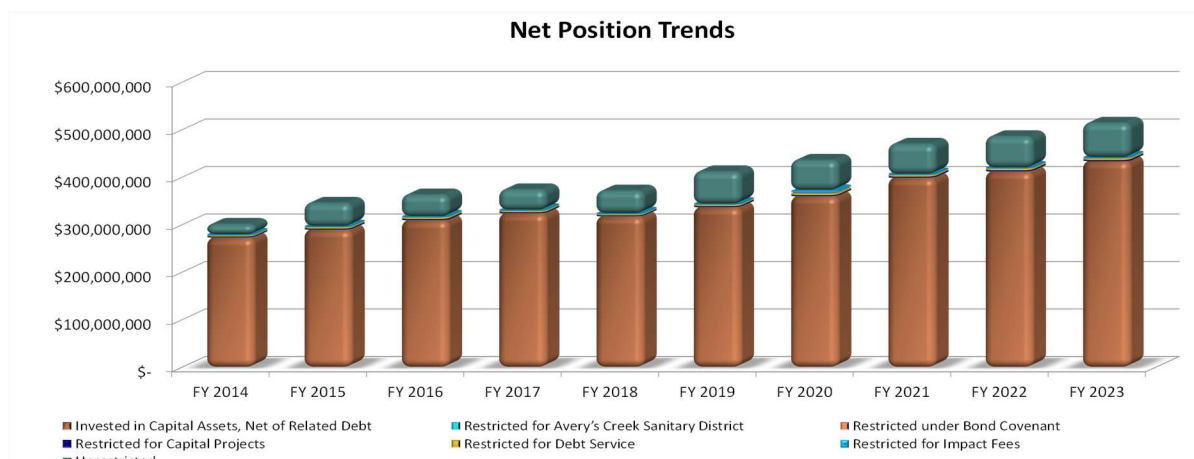


Table 1—Condensed Statement of Net Position

	FY 2023	FY 2022	% Increase (Decrease) 2023 Vs. 2022
Current and Other Assets	\$ 95,361,299	\$ 93,230,537	2.29%
Capital Assets, net	<u>518,908,888</u>	<u>503,311,630</u>	3.10%
Total Assets	<u>614,270,187</u>	<u>596,542,167</u>	2.97%
Deferred Outflows of Resources	<u>6,147,902</u>	<u>5,805,300</u>	5.90%
Long-Term Liabilities Outstanding	89,689,903	92,696,512	(3.24%)
Other Liabilities	<u>10,519,757</u>	<u>12,849,524</u>	(18.13%)
Total Liabilities	<u>100,209,660</u>	<u>105,546,036</u>	(5.06%)
Deferred Inflows of Resources	<u>705,199</u>	<u>2,735,434</u>	(74.22%)
Net Position:			
Net Investment in Capital Assets	435,348,021	412,955,363	5.42%
Restricted for:			
Debt Service	5,619,082	6,259,891	(10.24%)
Bond Covenant	1,238,132	1,028,381	20.40%
Unrestricted	<u>77,297,995</u>	<u>73,822,362</u>	4.71%
Total Net Position	<u>\$ 519,503,230</u>	<u>\$ 494,065,997</u>	5.15%

The Condensed Statement of Revenues, Expenses, and Changes in Net Position shown in Table 2 below provides information concerning what contributed to the net changes reported in Table 1.

Table 2—Condensed Statement of Revenues, Expenses, and Changes in Net Position

	FY 2023	FY 2022	% Increase (Decrease) 2023 Vs. 2022
Operating Revenues:			
Sewer Charges	\$ 43,422,124	\$ 41,484,740	4.67%
Facility and Tap Fees	5,343,261	5,966,012	(10.44%)
Miscellaneous	<u>1,045,841</u>	<u>660,754</u>	58.28%
Total Operating Revenues	<u>49,811,226</u>	<u>48,111,506</u>	3.53%
Operating Expenses:			
Salaries and Employee Benefits	9,664,071	8,427,033	14.68%
Contractual Services	1,958,008	1,798,794	8.85%
Utilities	1,625,793	1,446,493	12.40%
Repairs and Maintenance	1,094,839	1,026,018	6.71%
Other Supplies and Expenses	1,881,508	1,325,837	41.91%
Insurance Claims and Expenses	2,231,016	2,332,926	(4.37%)
Depreciation	<u>12,395,591</u>	<u>12,339,044</u>	0.46%
Total Operating Expenses	<u>30,850,826</u>	<u>28,696,145</u>	7.51%
Operating Income	<u>18,960,400</u>	<u>19,415,361</u>	(2.34%)
Non-operating Revenues (Expenses):			
Investment Income	2,737,273	87,001	3,046.25%
Interest Expense	(2,765,372)	(2,949,509)	(6.24%)
Gain on Sale of Surplus Property	<u>105,027</u>	<u>418,696</u>	(74.92%)
Total Non-operating Revenues (Expenses)	<u>76,928</u>	<u>(2,443,812)</u>	103.15%
Income before other transactions	19,037,328	16,971,549	12.17%
Capital Contribution	<u>6,399,905</u>	<u>3,348,109</u>	91.15%
Change in Net Position	25,437,233	20,319,658	25.19%
Total Net Position, beginning of year	<u>494,065,997</u>	<u>473,746,339</u>	4.29%
Total Net Position, end of year	<u>\$519,503,230</u>	<u>\$ 494,065,997</u>	5.15%

This section discusses significant factors contributing to the District's 5.2% increase in net position from \$494.1 million to \$519.5 million.

A. Operating Revenues

- Sewer revenues increased 4.7%. The District raised domestic sewer rates by 3.00% at the beginning of the Fiscal Year 2023. The additional increase was due to better than anticipated revenue as a result to increased usage over the previous year.

B. Operating Expenses

- **Salaries and Employee Benefits**—The District experienced a 14.7% increase in current year expense due to a 7% cost of living increase as well as a 3.4% pay & classification study adjustment.
- **Utilities Expense**—A decrease in internally generated hydroelectric power as well as increasing cost of fuel and natural gas attributed to the 12.4% increase in current year expenses.
- **Other Supplies and Expenses**—The District experienced a 41.9% increase in current year expense due to increase use of chemical supplies for a new high rate primary treatment process.

C. Investment Income—Increasing short-term interest rates resulted in a 3,046.3% increase in the District's interest income.

D. Interest Expense—Interest expense decreased due to the reduction of outstanding debt.

E. Capital Contribution—The amounts reported as capital contributions represent the estimated fair market value of donated sewer collector lines by developers and member agencies. The District has no direct control over the amount of contributions received. These amounts are reflected as equal income and capital expenditures in the financial statement.

Capital Asset and Debt Administration

A. Capital Assets

The District owns capital assets with a historical cost of \$751,670,134. These assets consist of land (including easements), improvements including a hydroelectric dam, buildings, collector sewer lines, interceptor lines (large pipelines into which collector sewer lines feed), construction equipment and machinery, service vehicles, office machines, computer hardware and software.

The District has begun several projects expected to cost \$198.3 million to complete and at June 30, 2023 was committed to contracts expected to cost \$6.3 million.

Major capital asset transactions during the year include:

- Rehabilitation of over 27,599 feet of sewer line including:
 - ◆ Springside Drive @ Overlook
 - ◆ Caledonia Road
 - ◆ Bent Tree Road
 - ◆ Christian Creek Inerceptor
 - ◆ Aurora Drive
 - ◆ Lining Contract #9

Table 3—Capital Assets

	FY 2023	FY 2022
Land	\$ 2,808,890	\$ 2,773,980
Easements	11,916,362	11,435,322
Improvements Other than Buildings	9,604,420	8,520,054
Buildings	53,341,402	49,064,646
Machinery and Equipment	86,235,430	85,131,956
Interceptor Sewer Lines	126,480,246	126,480,246
Collector Sewer Lines	430,140,578	414,625,022
Construction in Progress	<u>31,142,806</u>	<u>27,149,553</u>
Subtotal	751,670,134	725,180,779
Less: Accumulated Depreciation	<u>(232,761,246)</u>	<u>(221,869,149)</u>
Net Property, Plant and Equipment	<u>\$ 518,908,888</u>	<u>\$ 503,311,630</u>

More detailed information on the District's capital assets is presented in Note 4 to the financial statements.

B. Debt Administration

At June 30, 2023, the District had \$82,012,765 in par value of outstanding debt. Unlike cities and counties, the District does not have a debt limit. However, the District's Bond Order requires that user rates be set to achieve a minimum debt service coverage ratio of 1.2 annually. This means that in any year, after the District pays all current operating expenses, the net revenues remaining must be at least 120% of that year's principal and interest payments.

The District holds an AA+ rating from Standard & Poor's, an Aaa rating from Moody's Investor Service, and an AAA rating from Fitch. These high ratings allow the District to pay a lower rate of interest than other entities with less favorable ratings.

Further details on long-term debt are provided in Note 3 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The District, located in Buncombe County within the Asheville metropolitan area, has been in a better economic position than many other communities in the state and the nation due to several key factors.

A. Unemployment—From 2003 through 2022, Asheville's unemployment rate has been among the lowest compared to the other ten metropolitan areas in North Carolina. As of June 2023, Asheville's unemployment rate was 2.9%. This is below the state and national averages of 3.6% and 3.8%, respectively. Over the past year, about 7,400 jobs have been added to the economy, increasing current employment to 207,500.

B. Balanced Economic Growth—The Asheville metropolitan area has developed a unique and balanced economy based on several key drivers. Actions of each driver can overlap and support other drivers in the local economy. History has also shown that a period of weakness for one driver can lead to the expansion of another.

Key drivers include:

- Specialized health care industry
- Restructured manufacturing sector

- Baby-boom generation fueled population growth
 - Growing professional services sector
 - Stable tourism activity
 - Resilient housing market
-
- **Local Healthcare Employment**—At over 37,900 workers, health services is now the largest industry sector in the Asheville metropolitan area. Ambulatory health services is the chief source of the new jobs. Strong gains in well-paying health services have softened the earlier losses in the traditional manufacturing sector. Historically, stable growth in local healthcare services has had an average annual rate of 2% to 4%. Healthcare has had a 5.9% increase in employment over the previous year.
 - **Manufacturing Employment**—With 22,400 workers, manufacturing continues to be transformed into a high-skilled sector restructured around an advanced group of machinery, plastics, and electronics manufacturers. Recent economic indicators suggest job gain in manufacturing despite the impact by the COVID-19 Pandemic. Manufacturing did experience a 4.4% increase over the previous year.
 - **Continued Moderate Population Growth**—Population growth remains a consistent and stable contributor to the local economy. Estimates indicate moderate growth patterns will continue between 1.5% and 2.0% per year. More than 95% of local population growth is from in-migration, with the remaining from births over deaths.
 - **Professional and Business Sector**—The confluence of retiring baby-boomers, local quality of life, and economic growth has resulted in the emergence of a growing professional and business services sector. This sector includes many highly technical and well-paid services such as engineering, computer design, and temporary employment services. Recent economic indicators suggest job gain in the professional and business sector despite the impact by the COVID-19 Pandemic. The professional and business sector did experience a 6.8% increase over the previous year

The major economic challenge facing the District is the continued impact of COVID-19 Pandemic on employment and tourism. However, the impacts should be temporary and tempered by the District's more than adequate cash position.

Based on the District's projections for residential, commercial, and industrial sewer use, sewer rates will increase by 5.0% for the Fiscal Year ended June 30, 2024. Current projections indicate adequate funding for operations, debt service, and the District's long-term Capital Improvement Program.

Requests for Additional Information

This report is designed to provide an overview of the District's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to W. Scott Powell, Director of Finance, Metropolitan Sewerage District of Buncombe County, 2028 Riverside Drive, Asheville, NC 28804, (828) 225-8211, or spowell@msdbc.org

Statement of Net Position June 30, 2023

Assets:

Current assets:

Cash and cash equivalents	\$ 61,776,491
Investments	16,425,891
Restricted cash and cash equivalents	6,938,431
Receivables (net):	
Accounts	7,936,525
Sales	436,808
Employee	10,127
Interest	83,406
Inventories	487,119
Prepaid expenses	28,369
Total current assets	94,123,167

Noncurrent assets:

Restricted cash and cash equivalents	1,238,132
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Capital assets:

Land	2,808,890
Easements	11,916,362
Plant and equipment	705,802,076
Construction in progress	31,142,806
Less: accumulated depreciation	(232,761,246)
Total property and equipment	518,908,888

Total noncurrent assets

520,147,020

Total assets

614,270,187

Deferred outflows of resources:

6,147,902

Liabilities:

Current liabilities:

Payments from current assets:	
Accounts payable and accrued expenses	3,498,584
Current portion of compensated absences payable	70,000
Payments from restricted cash and cash equivalents:	
Bond interest payable	1,319,349
Current portion of long term obligations	5,631,824
Total current liabilities	10,519,757

Noncurrent liabilities:

Compensated absences, net of current portion	894,264
Total other post-employment benefits	3,435,000
Total pension liability	6,247,882
Derivative liability	128,619
Long-term obligations, net of current maturities	78,984,138
Total noncurrent liabilities	89,689,903

Total liabilities

100,209,660

Deferred inflows of resources:

705,199

Net position:

Net investment in capital assets	435,348,021
Restricted for:	
Debt service	5,619,082
Bond covenant	1,238,132
Unrestricted	77,297,995
Total net position	\$ 519,503,230

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

Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2023

Operating revenues:	
Sewer charges	\$ 43,422,124
Facility and tap fees	5,343,261
Miscellaneous	1,045,841
Total operating revenues	<u>49,811,226</u>
Operating expenses:	
Salaries and employee benefits	9,664,071
Contractual services	1,958,008
Utilities	1,625,793
Repairs and maintenance	1,094,839
Other supplies and expenses	1,881,508
Insurance claims and expenses	2,231,016
Depreciation	12,395,591
Total operating expenses	<u>30,850,826</u>
Operating income	<u>18,960,400</u>
Nonoperating revenues (expenses):	
Investment income	2,737,273
Interest expense	(2,765,372)
Gain on disposal of surplus property	105,027
Total nonoperating revenues (expenses)	<u>76,928</u>
Income before contributions	<u>19,037,328</u>
Capital contribution	6,399,905
Change in net position	<u>25,437,233</u>
Total net position, beginning of year	<u>494,065,997</u>
Total net position, end of year	<u><u>\$ 519,503,230</u></u>

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

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities:

Cash received from customers	\$ 47,796,279
Sales tax paid	(5,370)
Cash paid to employees for services	(6,774,690)
Cash paid for goods and services	(11,229,873)
Other operating revenue	1,044,924
Net cash provided by operating activities	30,831,270

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(22,896,287)
Proceeds from sale of surplus property	105,027
Principal paid on bond maturities	(6,360,825)
Interest paid on bond maturities	(3,278,343)
Net cash used in capital and related financing activities	(32,430,428)

Cash flows from investing activities:

Proceeds from sale of investments	174,857,154
Purchases of investments	(158,698,839)
Income on investments	2,765,029
Net cash provided by investing activities	18,923,344

Net decrease in cash and cash equivalents

17,324,186

Cash and cash equivalents, July 1	52,628,868
Cash and cash equivalents, June 30	<u>\$ 69,953,054</u>

Reconciliation to the Statement of Net Position:

Current Assets:	
Cash and cash equivalents	\$ 61,776,491
Restricted cash and cash equivalents	6,938,431
Noncurrent assets:	
Restricted cash and cash equivalents	1,238,132
	<u>\$ 69,953,054</u>

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

Statement of Cash Flows

For the Year Ended June 30, 2023 (continued)

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 18,960,400
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	12,395,591
Changes in assets and liabilities:	
(Increase) in receivables	(975,393)
Decrease in inventory	8,467
(Increase) in prepaid items	(25,719)
(Decrease) in accounts payable and accrued expenses	(229,029)
(Decrease) in other post-employment benefits	(614,000)
Increase in accrued compensated absences	81,090
(Increase) in deferred outflows of resources - pensions	(1,431,582)
Decrease in deferred outflows of resources - other post-employment benefits	247,000
Increase in net pension liability	4,444,680
Increase in deferred inflows of resources - other post-employment benefits	98,000
(Decrease) in deferred inflows of resources - pensions	(2,128,235)
Total adjustments	<u>11,870,870</u>
Net cash provided by operating activities	<u><u>\$ 30,831,270</u></u>

Noncash investing, capital, and financing activities:

1. At various times during the year ended June 30, 2023 the District received contribution of sewer lines constructed by developers with a reported estimated fair value of \$6,399,905.
2. During the year ended June 30, 2023, a total of \$81,881 of unrealized loss decreased the fair value of investments not considered to be cash equivalents.

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

Notes to Basic Financial Statements

June 30, 2023

Note 1—Summary of Significant Accounting Policies

The accounting policies of the Metropolitan Sewerage District of Buncombe County, North Carolina (District) conform to generally accepted accounting principles as applicable to enterprise-type governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The District is a public body and body politic and corporate of the State of North Carolina, created pursuant to the North Carolina Metropolitan Sewerage Districts Act (Article 5, Chapter 162A of the General Statutes of North Carolina, as amended). The District was established in 1962 by the North Carolina State Stream Sanitation Committee for the purpose of constructing and operating facilities for sewage treatment within the political subdivisions serviced by the District as listed below.

City of Asheville	Town of Montreat
Beaverdam Water and Sewer District	Enka-Candler Water and Sewer District
Town of Biltmore Forest	Fairview Sanitary Sewer District
Town of Black Mountain	Skyland Sanitary Sewer District
Busbee Sanitary Sewer District	Swannanoa Water and Sewer District
Caney Valley Sanitary Sewer District	Town of Weaverville
Crescent Hill Sanitary Sewer District	Venable Sanitary District
Woodfin Sanitary Water and Sewer District	Cane Creek Water and Sewer District

Under the North Carolina Metropolitan Sewerage Districts Act, the District is authorized, among other things, to: **(a)** acquire, construct, improve, extend, maintain, and operate any sewerage system or part thereof (including facilities for the generation and transmission of electric power and energy) within or without the District; **(b)** to issue revenue bonds to pay the costs of any of the foregoing; and **(c)** to set and collect rents, rates, fees, and other charges for provision of sewerage services and the use of any District facilities.

The District Board consists of fourteen members appointed as follows: three from the County of Buncombe, three from the City of Asheville, two from the County of Henderson and one each from

Woodfin Sanitary Water & Sewer District, and the Towns of Biltmore Forest, Black Mountain, Montreat, Woodfin, and Weaverville.

The District owns, operates, and maintains a Wastewater Treatment Plant as well as the related network of collector and interceptor sewers. The Treatment Plant has a capacity to treat up to 40 million gallons per day, but currently receives an average of 20.9 million gallons per day from approximately 59,000 residential and commercial customer accounts transported through approximately 1,140 miles of collector sewers.

The District's basic financial statements include all transactions of the District for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units, which come under the criteria for inclusion. The District is not a component unit of any other governmental entity.

B. Basis of Presentation—Fund Accounting

The accounts of the District are organized and operated on the basis of funds in accordance with the District's Bond Order. A Fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The District presents the basic financial statements as a proprietary fund basis. A proprietary fund accounts for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes.

C. Measurement Focus and Basis of Accounting

The proprietary fund is accounted for on the flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary Funds are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period incurred.

D. Budgetary Data

Budgets are adopted as required by state statute and in compliance with the Bond Order. All annual appropriations lapse at fiscal year-end. The budget is prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions during the fiscal year. Expenditures may not legally exceed appropriations at the functional level. Management is authorized to transfer appropriations within a department; however, any revisions that alter total expenditures of any function must be approved by the governing board. There were no budget amendments.

As required by North Carolina State law [G.S. 159-26(d)], the District maintains encumbrance accounts, which are considered to be “budgetary accounts”. Encumbrances outstanding at year-end represent the estimated amounts of the expenditures ultimately to result if unperformed contracts in progress at year-end are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

E. Deposits and Investments

All deposits of the District are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The District may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. In addition, the Board may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the District 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, (the “State”); bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies, and certain high

quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT).

The District's Bond Order limits investments to:

- a.** government obligations;
- b.** obligations of the following agencies: Federal Financing Bank, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), The Federal National Mortgage Association (except for stripped mortgage securities which are purchased at prices exceeding their principal amounts), the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration;
- c.** direct general obligations of the State secured by the full faith and credit and taxing power of the State rated in one of the two highest rating categories by Moody's and S&P;
- d.** bonds and notes of any North Carolina local government or public authority (other than the District), subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;
- e.** savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State or in any federal bank or savings and loan association having its principal office in the State; provided, however, that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof; or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations reserved by financial institution;
- f.** prime quality commercial paper (having original maturities of not more than 270 days) bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;
- g.** participating shares in the government portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;

- h.** a commingled investment pool established and administered by the State Treasurer pursuant to G. S. 147-69.3;
- i.** repurchase agreements with respect to Government Obligations if entered into with certain restrictions;
- j.** any other investment now or hereafter permitted for investment of funds by the District by the General Statutes of North Carolina, including, without limitation, Section 159-30 of the General Statutes of North Carolina.

The District's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio invest in treasuries and government agencies, is a money market fund (2a7), and maintains an AAAm rating from S&P and AAA-mf by Moody's Investor Service. It is reported at fair value.

F. Restricted Assets and Liabilities

Any unexpended bond proceeds from the revenue bonds issued by the District are classified as restricted assets because their use is completely restricted to the purpose for which the bonds were originally issued. Cash and investments included in the District's bond service and debt service reserve accounts are classified as restricted because their use is completely restricted for reserves and debt service of the outstanding bonds. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Any amounts payable from restricted assets are considered restricted liabilities. At June 30, 2023, the bond interest payable of \$1,319,349 and the current portion of long-term debt of \$5,631,824 represent total restricted liabilities of the District.

G. Allowance for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated based on the percentage of receivables that were written off in prior years. The allowance was \$2,829,125 as of June 30, 2023.

H. Inventories

Inventories consist of materials and supplies held for consumption and expensed as used. Inventories are valued at cost (first-in, first-out) which approximates market.

I. Capital Assets

Capital assets, primarily property and equipment, are recorded at original cost at acquisition or construction. Donated capital assets are recorded at acquisition value. Assets costing at least \$15,000 and with a useful life of over one year are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the straight-line basis. Assets are depreciated based on useful life estimated by District engineers as follows. See Note 4 for further details.

Buildings/Waste Treatment Plants	50 years	Lab Equipment	5-10 years
Improvements other than Buildings	10-50 years	Maintenance Equipment	5-10 years
Waste Treatment/Pumping Stations Machinery	10-15 years	Automobiles/Trucks	5-10 years
Interceptor Sewer Lines	50-100 years	Communication Equipment	5-10 years
Collector Sewer Lines	50-100 years	Computer Equipment/Software	3-5 years
Office Furniture/Fixtures	10 years		

J. Deferred Outflows of Resources/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 therefore will not be recognized as an expense until that period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as revenue until then.

K. Compensated Absences

The vacation policy of the District provides for the accumulation of up to forty (40) days earned vacation leave with such leave being fully vested when earned. Accordingly, an expense and a liability for compensated absences and any salary-related payments such as retirement

contributions and payroll taxes are recorded. Accumulated earned vacation at June 30, 2023 is \$964,264. See Note 3D for further details.

The District's sick leave policy provides for an unlimited accumulation of earned sick leave. Accumulated sick leave at June 30, 2023 amounts to approximately \$3.05 million. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the District has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

L. Cash Equivalents

For the purposes of the Statement of Cash Flow, the District considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

M. Use of Estimates

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

N. Operating and Non-operating Revenues and Expenses

The District defines operating revenues and expenses as those directly received and incurred in the process of providing wastewater collection and treatment. Nonoperating revenues and expenses are those resulting from incidental functions such as investment income, interest expense on long-term debt, and sale of surplus equipment.

O. Pensions and OPEB

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS), and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period

in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

The District participates in one other postemployment benefit plan (OPEB), for health insurance (The Plan). The District currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to premiums related to the coverage. For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB, and the OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Note 2—Deposits and Investments

A reconciliation of the District's deposits and investments for disclosure purposes and cash, cash equivalents, and investments for financial statement presentation as of June 30, 2023 is included below:

Cash on hand	\$ 350
Deposits	4,119,767
Investments	<u>82,258,828</u>
Total	<u>\$ 86,378,945</u>
Presentation on Statement of Net Position	
Current Assets	
Cash and cash equivalents	\$ 61,776,491
Investments	16,425,891
Restricted cash and cash equivalents	6,938,431
Noncurrent Assets	
Restricted cash and cash equivalents	<u>1,238,132</u>
Total	<u>\$ 86,378,945</u>

A. Deposits

All of the District's deposits 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 District, these deposits are considered to be held by the District's agent in the District's name.

The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the District or the escrow agent.

Because of the inability to measure the exact amount of collateral pledged for the District 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 enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method and the District relies on the State Treasurer to monitor those financial institutions. The District's formally adopted investment policy attempts to mitigate custodial credit risk for deposits by pre-qualifying the financial institutions receiving funds. The District also 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 District's deposits had a carrying amount of \$4,119,767 and a bank balance of \$4,560,971. Of the bank balance, \$296,701 was covered by federal depository insurance and \$4,264,270 in interest-bearing deposits was covered by collateral held under the Pooling Method.

At June 30, 2023, the District had \$350 cash on hand.

B. Investments

As of June 30, 2023, the District had the following investments and maturities.

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years
US Government Agencies	Fair Value –Level 2	\$ 14,462,472	\$ 2,542,063	\$ 6,943,781	\$4,976,628	N/A
Commercial Paper	Fair Value –Level 2	16,811,762	16,811,762	N/A	N/A	N/A
NC Capital Management Trust–Government	Fair Value –Level 1	50,984,594	50,984,594	N/A	N/A	N/A
Total		\$ 82,258,828	\$ 70,338,419	\$ 6,943,781	\$4,976,628	N/A

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

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

- Interest Rate Risk**—As a means of limiting its exposure to changes in fair value arising from rising interest rates, the District's formally adopted investment policy calls for structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and/or scheduled debt service, thereby avoiding the need to sell securities on the open market prior to maturity. In addition, the District invests operating funds primarily in shorter-term securities.
- Credit Risk**—Credit risk is the risk of loss due to the failure of the security issuer or backer. The District's formally adopted investment policy mitigates credit risk by limiting investments to the safest types of securities and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. As of June 30, 2023, the District's investments in commercial paper were at least P-1 by Standard & Poor's, F-1 by Fitch Ratings, and A-1 by Moody's Investors Service. The District's investments in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2023. The District's investments in US Agencies(Federal Home Loan Bank and Federal Home Loan Mortgage Corporation) are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

- Custodial Credit Risk**—For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s formally adopted investment policy requires all transactions to be conducted on a delivery-versus-payment (DVP) basis and to be held by a contracted third-party custodian and evidenced by safekeeping receipts. At June 30, 2023, the District did not have any investments exposed to custodial credit risk.
- Concentration of Credit Risk**—The District’s investment policy mitigates concentration of credit risk, that is, the risk from the failure of any one entity or industry, by limiting the maximum amount of the District’s portfolio that may be invested in Bankers’ Acceptances and Commercial Paper to 20% each.

In addition, the District’s formally adopted policy limits investment in any single issue of a non-governmental entity to the greater of \$5,000,000 or 1% of the entire portfolio.

C. Hedging Derivative Instrument

At June 30, 2023, the District had the following hedging derivative instrument:

Changes in Fair Value								Fair Value - June 30, 2023	
Type	Objective	Valuation Measurement Method	Notional Amount	Classification	Amount	Effective Date	Maturity Date	Classification	Amount
Cash Flow Hedge:									
Pay-Fixed Interest Rate Swap	Hedge of changes in cash flows on the 2005/2008A Series Revenue Refunding Bonds	Fair Value Level 2	\$20,630,000	Deferred Outflow of Resources	\$680,770	1/6/2005	7/1/2031	Debt	\$(128,619)

The fair value of the interest rate swap is determined using Level 2 inputs of the fair value hierarchy. Inputs used in determining the fair value of the interest rate swap include both observable and unobservable inputs. Observable inputs include the notional amount as shown above and the variable and fixed rates within the swap agreement as disclosed in Note 3c. Unobservable inputs include quoted market prices for similar instruments, discounted cash flow methodologies, or similar techniques.

The mark-to-market valuation was established by market quotations from the counterparty representing estimates of the amounts that would be paid for replacement transactions. Because

the coupons on the District's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase.

- **Objective**—As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in January 2005, the District issued variable interest rate debt and entered into an interest rate exchange agreement (swap) in connection with its variable rate Series 2005 Revenue Refunding Bonds in the amount of \$33,915,000. The intention of the swap was to effectively change the District's variable interest rate on the bonds to a synthetic fixed rate of 3.4175%.

In April 2008, the District issued \$33,635,000 in Series 2008A Revenue Refunding Bonds to currently refund the Series 2005 Revenue Refunding Bonds. The swap described above now applies to the Series 2008A Revenue Refunding Bonds. In April of 2020, the District amended the swap to eliminate the London Interbank Offered Rate (LIBOR) rate it receives as a variable payment. As a result the new synthetic fixed rate is 3.2910%.

- **Terms**—Under the initial terms of the swap, the District pays the counterparty a fixed payment of 3.4175% and receives a variable payment computed as 59% of the one-month LIBOR plus 35 basis points. In April of 2020, the District amended the term of the swap, the District pays the counterparty a fixed payment of 3.2910% and receives a variable payment computed as 100% of the Securities Industry and Financial Markets Association (SIFMA).

The swap had an initial notional amount equal to the associated Series 2005 variable rate bond principal amount of \$33,915,000. The swap was entered into at the same time the Series 2005 Bonds were issued in January of 2005.

Starting in Fiscal Year 2006, the notional value of the swap and the principal amount of the associated debt declined in equal amounts. As the swap now applies to the Series 2008A Bonds, the remaining notional value of the swap is correlated to the variable rate bond principal amount of \$33,635,000. Starting in Fiscal Year 2010, the notional value of the swap and the principal amount associated debt decline in similar amounts until the debt is completely retired. The notional amount outstanding is \$20,630,000 as of June 30, 2023.

The bonds' variable rate coupons are determined by the remarketing agent based on prevailing market conditions. This usually approximates SIFMA. The bonds and the related swap agreement both mature on July 1, 2031.

- **Credit Risk**—As of June 30, 2023, the District was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the District would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty was rated Aa1 by Moody's and A+ by Standard & Poor's, and AA by Fitch Ratings as of June 30, 2023. To mitigate the potential credit risk, if the counterparty's credit quality falls below Baa3 (Moody's) and BBB-(S&P), the value of the swap may be fully collateralized by the counterparty or by several other means specified in the International Swap Dealers Association (ISDA) Master Agreement and Counterparty Schedule.
- **Interest Rate/Basis Risk**—As noted above, the swap exposes the District to basis risk should the relationship between SIFMA and the bonds' variable rate coupons determined by the remarketing agent, changing the synthetic rate on the bonds.

The effect of this difference in basis is indicated by the difference between the intended synthetic rate of 3.2910% and the actual synthetic rate for the period ending June 30, 2023 of 3.2410%. As of June 30, 2023, the rate on the District's bonds was 3.96% whereas 100% of SIFMA was 4.01%. If a change occurs that results in the rates moving in a direction unfavorable to the District, the expected cost savings may not be realized.

- **Termination Risk**—The interest rate exchange contract uses the ISDA Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The ISDA Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the District if the counterparty's credit quality rating falls below Baa3 (Moody's) and BBB-(S&P). The District or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. In addition, if at the time of termination the swap has a negative fair value, the District would be liable to the counterparty for a payment equal to the swap's fair value.
- **Market Access Risk/Rollover Risk**—The District's interest rate exchange contract is for the term (maturity) of the bonds and, therefore, there is no market-access risk or rollover risk.

Note 3—Long-Term Obligations

A. Long-Term Debt

The District issues debt to help finance the cost of rehabilitation of wastewater interceptor and collection infrastructure, and treatment plant facilities. All debt is secured by a pledge of and payable from net receipts and certain other moneys. In the event of a default, the District agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the District under the related agreements. Unlike cities and counties, the District has no legal debt limit. However, the District must comply with the legal requirements contained in its Bond Order as described in Note 10.

The District's borrowings are subject to federal arbitrage regulations; however, management does not anticipate any material liability for arbitrage from any of these debt issues.

The District currently has the following issues outstanding:

	Original Issue Amount
Revenue Bonds:	
Enka-Candler Water & Sewer District Bonds	\$ 1,451,000
Series 2008A, Revenue Refunding Bonds	33,635,000
Series 2013, Revenue Refunding Bonds	30,230,000
Series 2014, Revenue Bonds	26,195,000
Series 2017, Revenue and Refunding Bonds	37,485,000
Direct Borrowings - State Revolving Fund:	
2009 North Carolina Water Pollution Control Revolving Fund	\$ 672,980

The following is a summary of changes in the Districts' long-term debt for the Fiscal Year ended June 30, 2023:

	BALANCE JULY 1, 2022	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2023
Revenue Bonds:				
Enka-Candler Water and Sewer District Bonds liability assumed by the Metropolitan Sewerage District of Buncombe County, North Carolina on July 2, 1990 as stated in the sewer consolidation agreement:				
5.00% serial bonds assumed July 2, 1990 with maturities on each June 1, through 2024 varying from \$19,000 to \$64,000, interest payable annually	\$ 84,000	\$ -	\$ 64,000	\$ 20,000
Total Bonds – Enka-Candler Series	\$ 84,000	\$ -	\$ 64,000	\$ 20,000
Revenue Refunding Bonds, Series 2008A issued to refund the Series 2005 Revenue Refunding Bonds:				
Interest at variable rates in the weekly mode, payable monthly, due serially until 2031	\$ 22,910,000	\$ -	\$ 2,235,000	\$ 20,675,000
Total Bonds – Series 2008A	\$ 22,910,000	\$ -	\$ 2,235,000	\$ 20,675,000
Revenue Refunding Bonds, Series 2013 issued to refund Series 2003 and Series 2008B Revenue Refunding Bond:				
2.0% to 5.00% serial bonds issued May 1, 2013, with maturities on each July 1, 2014 through 2029 varying from \$1,065,000 to \$4,255,000: interest payable semi-annually	\$ 10,135,000	\$ -	\$ 1,915,000	\$ 8,220,000
Total Bond – Series 2013	\$ 10,135,000	\$ -	\$ 1,915,000	\$ 8,220,000
Revenue Bonds, Series 2014 issued to construct certain sewerage projects:				
2.0% to 5.00% serial bonds issued May 21, 2014, with maturities on each July 1, 2016 through 2039 varying from \$535,000 to \$1,430,000: interest payable semi-annually	\$ 16,590,000	\$ -	\$ 835,000	\$ 15,755,000
5.00% term bonds issued May 21, 2014, at 112.950%, due July 1, 2039: interest payable semi-annually	\$ 4,685,000	\$ -	\$ -	\$ 4,685,000
Total Bond – Series 2014	\$ 21,275,000	\$ -	\$ 835,000	\$ 20,440,000

	BALANCE JULY 1, 2022	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2023
Revenue Bonds (continued):				
Revenue Bonds, Series 2017 issued to construct certain sewerage projects and to refund portions of Series 2009A:				
3.0% to 5.00% serial bonds issued July 11, 2017, with maturities on each July 1, 2018 through 2039 varying from \$620,000 to \$2,260,000: interest payable semi-annually	\$ 29,315,000	\$ -	\$ 1,295,000	\$ 28,020,000
5.00% term bonds issued July 11, 2017, at 97.704%, due July 1, 2042: interest payable semi-annually	\$ 4,520,000	\$ -	\$ -	\$ 4,520,000
Total Bond – Series 2017	\$ 33,835,000	\$ -	\$ 1,295,000	\$ 32,540,000
Total Revenue Bonds	\$ 88,239,000	\$ -	\$ 6,344,000	\$ 81,895,000
Direct Borrowings - State Revolving Fund:				
2009 North Carolina Water Pollution Control Revolving Fund used to construct certain sewerage projects:				
\$672,980 revolving loan issued August 18, 2009 unpaid principal sum is reduced by one-half as "Principal Forgiveness", interest accrues at 0%, 20 annual installments May 1, 2011 to 2030	\$ 134,590	\$ -	\$ 16,825	\$ 117,765
Total Direct Borrowings - State Revolving Fund	\$ 134,590	\$ -	\$ 16,825	\$ 117,765
Total Long-Term Obligations	88,373,590	-	6,360,825	82,012,765
Plus, net unamortized discounts and premiums	3,198,982	-	595,785	2,603,197
	\$ 91,572,572	\$ -	\$ 6,956,610	\$ 84,615,962
Series 2008A	2,235,000			2,320,000
Series 2013	1,915,000			1,065,000
Series 2014	835,000			870,000
Series 2017	1,295,000			1,340,000
Direct Borrowings - 2009 State Revolving Fund	16,825			16,824
Enka-Candler	64,000			20,000
Less current portion	6,360,825			5,631,824
	\$ 85,211,747			\$ 78,984,138

Maturities of long-term debt are as follows:

Year Ending June 30:	Serial Maturity	Principal Mandatory Sinking Fund Requirements (Term Bonds)	Total	Interest
2024	5,631,824	-	5,631,824	3,102,843
2025	5,091,824	735,000	5,826,824	2,869,912
2026	5,281,824	770,000	6,051,824	2,633,643
2027	5,481,823	810,000	6,291,823	2,382,372
2028	<u>5,691,823</u>	<u>855,000</u>	<u>6,546,823</u>	<u>2,125,982</u>
	27,179,118	3,170,000	30,349,118	13,114,752
Five Years:				
2033	20,933,647	4,965,000	25,898,647	6,959,449
2038	12,615,000	2,635,000	15,250,000	3,235,363
2043	<u>2,795,000</u>	<u>7,720,000</u>	<u>10,515,000</u>	<u>743,869</u>
	<u>\$ 63,522,765</u>	<u>\$ 18,490,000</u>	<u>\$ 82,012,765</u>	<u>\$ 24,053,433</u>

The revenue bonds are secured by and payable solely from all sewer revenues of the District after provisions for operating expenses and from certain reserves and other monies of the District, as described in the Bond Order. Additional remittance requirements to the trustee for a sinking fund to redeem the term bonds, subordinated indebtedness outstanding, if any, and other purposes are set forth in the Bond Order.

B. Variable Debt

- Interest Rates**—Interest rates for variable debt change weekly as determined by the responsible remarketing agent based on competitive municipal bond rates in the secondary market.
- Liquidity Agreement**—The District has entered into a remarketing agreement with Wells Fargo to perform various functions in connection with the Series 2008A variable debt. The Remarketing Agent’s major responsibilities include ① soliciting of purchases of Bonds from qualified investors, ② processing and recordkeeping for such purchases, ③ billing and receiving payment for Bonds purchased, and ④ determining the interest rate on the Bonds as provided in the Series Resolution.

C. Hedging Derivative and Associated Hedged Debt

As of June 30, 2023, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows.

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2024	2,320,000	734,514	(133,362)	2,921,152
2025	2,400,000	639,738	(116,154)	2,923,584
2026	2,485,000	541,613	(98,338)	2,928,275
2027	2,585,000	439,577	(79,812)	2,944,765
2028	2,685,000	333,581	(60,567)	2,958,014
2029	2,785,000	223,625	(40,603)	2,968,022
2030	2,890,000	109,527	(19,886)	2,979,641
2031	1,240,000	54,978	(9,982)	1,284,996
2032	1,285,000	4,241	(770)	1,288,471
	<u>\$ 20,675,000</u>	<u>\$ 3,081,394</u>	<u>\$ (559,474)</u>	<u>\$ 23,196,920</u>

The computations above are based on the following interest assumptions.

	Terms	Rates at June 30, 2023
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.2910%
Variable Payment from Counterparty	100% of SIFMA	(4.0100%)
Net Interest Rate Swap Payments		(0.7190%)
Variable-rate Bond Coupon Payments	Remarketed Rate	3.9600%
Synthetic Interest Rate on Bonds		3.2410%

D. Compensated Absences

Changes to the liability for compensated absences were as follows:

Balance - June 30, 2022	\$	883,174
Additions		750,445
Withdrawals		(669,355)
Balance - June 30, 2023	<u>\$</u>	<u>964,264</u>

The District accounts for compensated absences on a LIFO basis, assuming that employees are taking leave time as it is earned. For the year ended June 30, 2023, the District estimates that \$70,000 is the current portion of this liability.

E. Net Pension Liability (LGERS)

Changes to the net pension liability (LGERS) were as follows:

Balance - June 30, 2022	\$	1,803,202
Additions		4,444,680
Withdrawals		-
Balance - June 30, 2023	\$	<u>6,247,882</u>

F. Other Post-Employment Benefits (OPEB)

Changes to the other post-employment benefit liability (OPEB) were as follows:

Balance - June 30, 2022	\$	4,049,000
Additions		-
Withdrawals		<u>(614,000)</u>
Balance - June 30, 2023	\$	<u>3,435,000</u>

Note 4—Capital Assets

A summary of changes in capital assets follows below.

	Balance June 30, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital Assets Not Being Depreciated					
Land	\$ 2,773,980	\$ -	\$ -	\$ 34,910	\$ 2,808,890
Easements	11,435,322	1,574	-	479,466	11,916,362
Construction in Progress	<u>27,149,553</u>	<u>21,084,827</u>	<u>-</u>	<u>(17,091,574)</u>	<u>31,142,806</u>
Total Capital Assets Not Being Depreciated	<u>41,358,855</u>	<u>21,086,401</u>	<u>-</u>	<u>(16,577,198)</u>	<u>45,868,058</u>
Capital Assets Being Depreciated					
Bldgs. & Waste Treatment Plants	49,064,646	-	-	4,276,756	53,341,402
Improvements & Other than Bldgs.	8,520,054	-	(91,286)	1,175,652	9,604,420
Machinery & Equipment	77,246,639	132,224	(845,803)	1,765,010	78,298,070
Interceptor Sewer Lines	126,480,246	-	-	-	126,480,246
Collector Lines	414,625,022	6,398,331	(242,555)	9,359,780	430,140,578
Automobiles & Trucks	6,086,553	375,893	(323,850)	-	6,138,596
Computer Equipment	1,175,033	-	-	-	1,175,033
Office Furniture & Equipment	<u>623,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,731</u>
Total Capital Assets Being Depreciated	<u>683,821,924</u>	<u>6,906,448</u>	<u>(1,503,494)</u>	<u>16,577,198</u>	<u>705,802,076</u>
Less Accumulated Depreciation					
Bldgs. & Waste Treatment Plants	(25,434,320)	(1,018,673)	-	-	(26,452,993)
Improvements & Other than Bldgs.	(5,979,809)	(357,563)	91,286	-	(6,246,086)
Machinery & Equipment	(51,559,665)	(3,543,710)	845,803	-	(54,257,572)
Interceptor Sewer Lines	(30,888,108)	(1,384,852)	-	-	(32,272,960)
Collector Lines	(102,130,108)	(5,490,415)	242,555	-	(107,377,968)
Automobiles & Trucks	(4,120,505)	(582,427)	323,850	-	(4,379,082)
Computer Equipment	(1,155,316)	(9,251)	-	-	(1,164,567)
Office Furniture & Equipment	<u>(601,318)</u>	<u>(8,700)</u>	<u>-</u>	<u>-</u>	<u>(610,018)</u>
Total Accumulated Depreciation	<u>(221,869,149)</u>	<u>(12,395,591)</u>	<u>1,503,494</u>	<u>-</u>	<u>(232,761,246)</u>
Capital Assets Being Depreciated, Net	<u>461,952,775</u>	<u>(5,489,143)</u>	<u>-</u>	<u>16,577,198</u>	<u>473,040,830</u>
Total Capital Assets	<u>\$ 503,311,630</u>	<u>\$ 15,597,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 518,908,888</u>

- ★ **Contributed Infrastructure**—The District’s responsibility is to maintain existing collector and interceptor sewer lines as well as to provide wastewater treatment. The majority of sewer lines added to the District are constructed by member agencies or developers and donated to the District. Occasionally, owners of private lines will petition the District to take over their sewer lines as well. This infrastructure must meet minimum District engineering standards, and when accepted by Board action, the District assumes all responsibility for future maintenance and rehabilitation. During the year ended June 30, 2023, the District accepted capital assets with an acquisition value of \$6,399,905.

- ★ **Easements**—The District acquires right-of-way easements in the course of sewer line rehabilitation projects. These easements have an indefinite useful life and are recorded at cost.

Note 5—Pension Plan Obligation

A. North Carolina Local Governmental Employees' Retirement System

- **Plan Description**—The District 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 for the State of North Carolina. The State’s Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

- **Contributions**—Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. District employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2023 was 12.10% 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 District were \$1,239,847 for the year ended June 30, 2023.
- **Refunds of Contributions**—District employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions, or any other benefit provided by LGERS.

- **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**—At June 30, 2023, the District reported a liability of \$6,247,882 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021.

The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The District's proportion of the net pension liability was based on a projection of the District'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 District's proportion was 0.11075% measured as of June 30, 2022, which was a decrease of 0.00683% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$1,773,710. At June 30, 2023, the District 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	\$ 269,216	\$ 26,395
Changes in assumptions	623,398	-
Net difference between projected and actual investment earnings	2,064,990	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	45,737	81,804
District's contribution subsequent to the measurement date	<u>1,239,847</u>	<u>-</u>
Total	<u>\$ 4,243,188</u>	<u>\$ 108,199</u>

\$1,239,847 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024.

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

Year Ending June 30:		
2024	\$	921,675
2025		782,614
2026		207,053
2027		983,800

- **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 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 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 3.0%. All rates of return and inflation are annualized.

- **Discount Rate**—The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members.

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

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability (asset)	\$ 11,276,621	\$ 6,247,882	\$ 2,103,908

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

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

- Plan Description**—The District 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 District who are members of LGERS. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.
- Funding Policy**—Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2%, or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) Plan or the 457 Plan described below. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2023, a total of \$430,260 and \$501,586 were contributed by the District and employees, respectively.

C. Deferred Compensation Plan

- **Plan Description**—The District also offers its employees a Deferred Compensation Plan, another type of defined contribution plan, established under the Internal Revenue Code Section 457. The Plan allows employees to defer receipt and taxation of a portion of their salary until future years.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan is administered by a third-party administrator who establishes and amends benefit provisions within the provisions of the Internal Revenue Code Section 457.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, and rights (until paid or made available to the employee or other beneficiary) are held in trust for the exclusive benefit of participants and their beneficiaries. As such, these assets and the related obligations are not reported in these financial statements.

- **Funding Policy**—Employee contributions are voluntary and must conform to applicable IRS limits. The District has a graduated matching contribution plan as follows: if an employee contributes 1%, 2%, or 3%, the District will contribute 2%, 4%, or 5%, respectively, of their salary to either the 401(k) Plan described above or a 401(a) Plan. The District Board has the authority to establish and amend contribution requirements. During the year ended June 30, 2023, \$25,517 and \$27,035 were contributed by the District and employees, respectively, to the deferred compensation plan.

Note 6—Other Employment Benefits

A. Death Benefits

- **Plan Description**—The District has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a 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 his/her death, but the benefit may not be below \$25,000 or exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The District has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Because the benefit payments are made by the Death Benefit Plan and not by the District, the District does not determine the number of eligible participants. 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. The District considers these contributions to be immaterial.

Note 7—Other Post-Employment Benefits

A. Healthcare Benefits

- **Plan Description**—Under terms of a District resolution, the District administers a single-employer defined benefit group health and dental insurance plan (the GHD Plan). The District Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust. However as of June 30, 2023, the District set aside \$2,645,024. These funds are to be used to meet the District’s future post-employment obligation.
- **Benefits Provided**—As of May 14, 2008, the plan allows retirees to continue coverage under the Districts' self-insured group health and dental insurance plan until the earlier of ① reaching age 65; or ② becoming covered under another group medical plan; or ③ failing to timely pay any required premium for such coverage.

The District will pay the premium cost for the eligible retired employee as follows:

Years of Service	Subsidy Vesting %
30 years at any age	100%
25 years at 55 years of age	90%
20 years at 55 years of age	80%
15 years at 55 years of age	65%
10 years at 55 years of age	55% - Existing Employees 50% - Employees hired after 7/1/08
5 years at 55 years of age	50% - Existing Employees

In addition, the District's retirees can purchase coverage for their spouse at full actuarial cost. The District's Board may amend the benefit provisions. A separate report was not issued for the plan.

Membership in the District's GHD Plan consisted of the following at July 1, 2021, the date of the latest actuarial valuation:

Employees	
Retirees Receiving Benefits	18
Active Plan Members	146
Total	164

B. Total OPEB Liability

The District's total OPEB liability of \$3,435,000 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2021.

- **Actuarial Assumptions and Other Inputs**—The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Salary Increases	3.00 percent
Discount Rate	3.69 percent
Healthcare cost trend rates	0.84 percent for fiscal year end 2022 (to reflect actual experience), then 6.25 percent for fiscal year end 2023, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The discount rate is based on the yield of the Fidelity Municipal Bond 20-Year Municipal GO AA Index as of the measurement date.

➤ **Changes in the Total OPEB Liability—**

	Total OPEB Liability
Balance at July 1, 2022	\$ 4,049,000
Changes for the year	
Service cost	234,000
Interest	80,000
Changes of benefit terms	-
Differences between expected and actual experience	(231,000)
Changes in assumptions or other inputs	(414,000)
Other changes	-
Benefit payments	<u>(283,000)</u>
Net changes	<u>(614,000)</u>
Total	<u>\$ 3,435,000</u>

Mortality rates were based on the RP-2014 Fully Generation Mortality Table, with base year 2006, using two-dimensional improvement scale MP-2021.

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

- **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—**The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.69 percent) or 1-percentage-point higher (4.69 percent) than the current discount rate:

	1% Decrease	Discount Rate (3.69%)	1% Increase
Total OPEB Liability	\$ 3,665,000	\$ 3,435,000	\$ 3,218,000

- **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**—The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current healthcare cost trend rates:

	1% Decrease	Discount Rate (Medical-6.25%)	1% Increase
Total OPEB Liability	\$ 3,107,000	\$ 3,435,000	\$ 3,813,000

- **OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**—For the year ended June 30, 2023, the District recognized OPEB expense of \$287,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173,000	\$ 246,000
Changes in assumptions	351,000	351,000
Benefit payments and administrative costs made subsequent to the measurement date	<u>197,000</u>	<u>-</u>
Total	<u>\$ 721,000</u>	<u>\$ 597,000</u>

\$197,000 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2024.

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

Year Ending June 30:	
2024	\$ 40,000
2025	48,000
2026	10,000
2027	(37,000)
2028	(77,000)
Thereafter	(57,000)

Note 8—Risk Management

The District has established a self-insured group health and dental insurance program, which provides medical coverage up to a maximum of \$70,000 per employee, and approximately \$2,500,000 in the aggregate. The District purchases commercial insurance for claims in excess of coverage.

All employees participate in the program and are responsible for premium and co-payment amounts as determined by the District. Charges to the Enterprise Fund are adjusted annually so that the program revenues and expenses are approximately equal and there is an adequate amount in reserves in the event the District decides to discontinue the plan. The accrued self-insurance claims liability of \$247,062 reported at June 30, 2022 represents estimated claims liabilities, including incurred but not reported losses, at the estimated ultimate cost of settling the claims using historical experience as determined by the Third-Party Administrator (TPA).

Changes since inception in the claim's liability amount are as follows:

Fiscal Years Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims & Changes in Estimates	Claim Payments	Balances at Fiscal Year End
2022	\$ 505,657	\$ 2,131,940	\$ 2,390,535	\$ 247,062
2023	\$ 247,062	\$ 2,033,421	\$ 2,080,855	\$ 199,628

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities.

Through these pools, the District obtains general liability and auto liability coverage, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The District carries flood insurance through the National Flood Insurance Plan (NFIP). Because the District's structures, situated adjacent to the French Broad River, are in an "A" area designated by the Federal Emergency Management Agency (FEMA), the District has purchased coverage in the maximum amount of \$500,000 through the NFIP for each eligible structure. Management believes this will be adequate to remediate flood damage to exposed buildings and their contents.

In accordance with G.S. 159-29, the District has adopted a system of blanket faithful performance bonds for all employees and has purchased coverage of \$100,000 from a commercial insurance carrier. The Finance Officer is individually bonded for \$1,000,000.

Note 9—Construction in Progress and Future Expansion Plans

During the year ended June 30, 2002, consulting engineers finalized a comprehensive twenty-year Wastewater System Master Plan to guide the District in reducing sanitary sewer overflows (SSOs) as well as keeping up with the maintenance and management of its infrastructure. The plan estimated that the District would need to spend approximately \$257 million over a twenty-year period. Portions of this Master Plan are periodically updated as required to meet the needs identified by engineering staff for the Water Reclamation Facility and the collector and interceptor sewer lines. The District uses these plans, along with other resources including representatives from the member agencies, to develop a ten-year Capital Improvement Plan projected to spend an average of \$53.2 million annually. The District expects to fund these costs out of user charges along with the issuance of additional bonds.

As of June 30, 2023, the District had begun sewer projects expected to incur future costs of approximately \$198.3 million, and the District is committed under various contracts encumbered for sewer construction and rehabilitation estimated to cost \$6.3 million to complete. The majority of encumbered contracts are expected to be completed within the next fiscal year, and the projects currently under construction are scheduled to be completed within the next two to five years.

Note 10—Bond Covenants

The District is subject to the 1999 Amended Bond Order, which contains several operational directives including internal accounting fund structure, disclosure of financial records, and setting rates. A copy of the Bond Order may be obtained by contacting the Director of Finance.

The District is required by the 1999 Amended Bond Order to set rates as summarized by the following:

The District covenants to set rates and charges so that the Income Available for Debt Service (defined as the excess of "Revenues" over "Current Expenses") will not be less than the greater of (i) one hundred twenty percent (120%) of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) one hundred percent (100%) of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year.

The definition of revenues for this purpose does not include grants, contributions, investment income credited to non-operating funds, or tap and connection fees. However, tap and connection fees may be considered revenues upon a resolution duly passed by the Board. Current expenses include operating expenses other than additions to reserve funds, depreciation or amortization, or debt service payments.

Long-Term Debt Service Requirement means the aggregate of the required deposits to be made in respect of principal and interest.

The various Bond Series Resolutions require either monthly or semi-annual deposits of the upcoming principal and interest payments to be received by the Trustee at least one day prior to the payment date. In other words, during the Fiscal Year ended June 30, 2023, the Long-Term Debt Service Requirement equaled principal and interest due on January 1, 2023 and July 1, 2023.

The District does not currently have any subordinated indebtedness, so the computation of the current fiscal year's compliance with this covenant is based solely on 120% of the debt service requirement as follows:

Operating Revenues	\$ 49,811,226
Interest and Non-Operating Revenues	2,842,300
Adjustments to Revenues:	
Interest Income allocable to Non-Operating Funds	(57,833)
Facility, Tap, and Other Fees	(5,420,561)
Gain on Disposal of Property	<u>(105,027)</u>
Adjusted Revenues	<u>47,070,105</u>
Operating Expenses	(30,850,826)
Adjustments to Expenses:	
Pension plan and OPEB contributions net of expense	114,856
Trustee and liquidity expense capitalized	(110,847)
Add back Depreciation	<u>12,395,591</u>
Adjusted Operating Expenses	<u>(18,451,226)</u>
Income Available for Debt Service	<u>\$ 28,618,879</u>
Long-Term Debt Service Requirement	\$ 8,829,772
Minimum Required Percentage	<u>120%</u>
Minimum Required Income	<u>\$ 10,595,726</u>

Therefore, the District believes it is in compliance with the rate covenant as income available for debt service is in excess of 120% of the annual required debt service. The actual coverage ratio is 324%.

Note 11–Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Unamortized bond refunding charges	\$ 1,055,095	\$ -
Accumulated decrease in fair value of hedging derivative	128,619	-
Pensions – difference between expected and actual experience	269,216	26,395
Pensions – change in assumptions	623,398	-
Pensions – net difference between projected and actual investment earnings	2,064,990	
Pensions – changes in proportion and difference between employer contributions and proportionate share of contributions	45,737	81,804
Contributions to pension plan made subsequent to measurement date	1,239,847	-
OPEB- difference between expected and actual experience	173,000	246,000
OPEB-Changes in assumptions	351,000	351,000
OPEB-benefit payments and administrative cost made subsequent to measurement date	197,000	-
Total	\$ 6,147,902	\$ 705,199

Note 12–Hydroelectric Power

The District operates a hydroelectric generation facility on the French Broad River in proximity to the wastewater treatment plant. In some years with above average rainfall, sufficient quantities of electricity are produced to supply all of the plant's needs with excess electricity generated being sold to Duke Energy Progress. During the year ended June 30, 2023, the District generated power used by the plant, which was estimated to have a net cost after deducting expenditures to generate such power of approximately \$263,078 if purchased.

Note 13–Claims and Judgments

The District may be a party to lawsuits arising from the ordinary conduct of business. In the opinion of management, settlement of actual or possible litigation, if any, will not have a material effect on the financial position of the District.

Required Supplemental Information

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Local Government Employees' Retirement System
Required Supplemental Information
Schedule of the District's Proportionate Share of the
Net Position Liability (Asset)
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset) %	0.111%	0.118%	0.117%	0.119%	0.120%	0.124%	0.126%	0.126%	0.125%	0.126%
District's proportionate share of the net pension liability (asset) \$	\$ 6,247,882	\$ 1,803,202	\$ 4,173,404	\$ 3,257,717	\$ 2,851,318	\$ 1,896,515	\$ 2,678,811	\$ 563,911	\$ (734,825)	\$ 1,517,578
District's covered payroll	\$ 9,124,071	\$ 9,159,822	\$ 9,236,242	\$ 9,081,052	\$ 8,788,983	\$ 8,600,473	\$ 8,383,296	\$ 8,043,516	\$ 7,906,515	\$ 7,768,717
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	68.48%	19.69%	45.19%	35.87%	32.44%	22.05%	31.95%	7.01%	(9.29%)	19.53%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

Local Government Employees' Retirement System
Required Supplemental Information
Schedule of District Contributions
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,239,847	\$ 1,024,648	\$ 922,750	\$ 816,121	\$ 698,651	\$ 654,448	\$ 614,323	\$ 553,176	\$ 564,473	\$ 555,232
Contributions in relation to the contractually required contribution	\$ 1,239,847	\$ 1,024,648	922,750	816,121	698,651	654,448	614,323	553,176	564,473	555,232
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Districts's covered payroll	\$ 10,035,420	\$ 9,124,071	\$ 9,159,822	\$ 9,236,242	\$ 9,081,052	\$ 8,788,983	\$ 8,600,473	\$ 8,383,296	\$ 8,043,516	\$ 7,906,515
Contributions as a percentage of covered payroll	12.35%	11.23%	10.07%	8.84%	7.69%	7.45%	7.14%	6.60%	7.02%	7.02%

Schedule of Changes in the Total OPEB Liability and Related Ratios Last Six Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 234,000	\$ 212,000	\$ 189,000	\$ 162,000	\$ 161,000	\$ 156,000
Interest	80,000	92,000	113,000	109,000	110,000	106,000
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(231,000)	181,000	(75,000)	124,000	(441,000)	-
Changes of assumptions	(414,000)	134,000	159,000	433,000	188,000	-
Benefit payments	(283,000)	(244,000)	(294,000)	(168,000)	(69,000)	(226,000)
Net change in total OPEB liability	(614,000)	375,000	92,000	660,000	(51,000)	36,000
Total OPEB liability - beginning	4,049,000	3,674,000	3,582,000	2,922,000	2,973,000	2,937,000
Total OPEB liability - ending	3,435,000	4,049,000	3,674,000	3,582,000	2,922,000	2,973,000
Covered-employee payroll	\$ 8,916,369	\$ 8,916,369	\$ 8,755,301	\$ 8,335,863	\$ 8,502,682	\$ 8,261,415
Total OPEB liability as a percentage of covered-employee payroll	38.52%	45.41%	41.96%	42.97%	34.37%	35.99%

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

Notes to Schedule:

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

2023	2022	2021	2020	2019	2018
3.69%	1.92%	2.45%	3.13%	3.62%	3.56%

In 2019, amounts reflect a 1 percentage point increase in healthcare cost trend rates decreasing .50 percent point from the prior year and adjustments in mortality rates to better reflect actual plan experience.

In 2020, amounts reflect a 1 percentage point decrease in healthcare cost trend rates decreasing .25 percent point from the prior year and adjustments in mortality rates to better reflect actual plan experience. Finally, the District also adjusted retirement rates based on actual experience from July 2015 through December 2019. This is to better reflect actual retirement plan experience.

In 2021, 2022 and 2023, amounts reflect a .25 percentage point decrease in healthcare cost trend rates decreasing .25 percent point from the prior year and adjustments in mortality rates to better reflect actual plan experience.

No assets have been accumulated in a qualifying trust to pay benefits of the District's OPEB plan.

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Supplemental Financial Data

Comparative Statement of Net Position June 30, 2023 and 2022

	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 61,776,491	\$ 43,942,852
Investments	16,425,891	32,666,087
Restricted cash and cash equivalents	6,938,431	7,657,635
Receivables (net):		
Accounts	7,936,525	6,967,419
Sales	436,808	431,438
Employee	10,127	9,210
Interest	83,406	29,279
Inventories	487,119	495,586
Prepaid expenses	28,369	2,650
Total current assets	<u>94,123,167</u>	<u>92,202,156</u>
Noncurrent assets:		
Restricted cash and cash equivalents	1,238,132	1,028,381
Capital Assets:		
Land	2,808,890	2,773,980
Easements	11,916,362	11,435,322
Plant and equipment	705,802,076	683,821,924
Construction in progress	31,142,806	27,149,553
Less: accumulated depreciation	(232,761,246)	(221,869,149)
Total property and equipment	<u>518,908,888</u>	<u>503,311,630</u>
Total noncurrent assets	<u>520,147,020</u>	<u>504,340,011</u>
Total assets	<u>614,270,187</u>	<u>596,542,167</u>
Deferred outflows of resources:	<u>6,147,902</u>	<u>5,805,300</u>
Liabilities and Net Position:		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses	3,498,584	5,030,955
Current portion of compensated absences payable	70,000	60,000
Payments from restricted cash and cash equivalents:		
Bond interest payable	1,319,349	1,397,744
Current portion of long term debt	5,631,824	6,360,825
Total current liabilities	<u>10,519,757</u>	<u>12,849,524</u>
Noncurrent liabilities:		
Compensated absences, net of current portion	894,264	823,174
Other post-employment benefit	3,435,000	4,049,000
Total pension liability	6,247,882	1,803,202
Derivative liability	128,619	809,389
Bonds payable, net of current maturities	78,984,138	85,211,747
Total noncurrent liabilities	<u>89,689,903</u>	<u>92,696,512</u>
Total liabilities	<u>100,209,660</u>	<u>105,546,036</u>
Deferred inflows of resources:	<u>705,199</u>	<u>2,735,434</u>
Net position:		
Net investment in capital assets	435,348,021	412,955,363
Restricted for:		
Debt service	5,619,082	6,259,891
Bond covenant	1,238,132	1,028,381
Unrestricted	77,297,995	73,822,362
Total net position	<u>\$ 519,503,230</u>	<u>\$ 494,065,997</u>

Comparative Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Sewer charges	\$ 43,422,124	\$ 41,484,740
Facility and tap fees	5,343,261	5,966,012
Miscellaneous	1,045,841	660,754
Total operating revenues	<u>49,811,226</u>	<u>48,111,506</u>
Operating expenses:		
Salaries and employee benefits	9,664,071	8,427,033
Contractual services	1,958,008	1,798,794
Utilities	1,625,793	1,446,493
Repairs and maintenance	1,094,839	1,026,018
Other supplies and expenses	1,881,508	1,325,837
Insurance claims and expenses	2,231,016	2,332,926
Depreciation	12,395,591	12,339,044
Total operating expenses	<u>30,850,826</u>	<u>28,696,145</u>
Operating income	<u>18,960,400</u>	<u>19,415,361</u>
Nonoperating revenues (expenses):		
Investment income	2,737,273	87,001
Interest expense	(2,765,372)	(2,949,509)
Gain on disposal of surplus property	105,027	418,696
Total nonoperating expenses	<u>76,928</u>	<u>(2,443,812)</u>
Income before contributions	<u>19,037,328</u>	<u>16,971,549</u>
Capital contribution	<u>6,399,905</u>	<u>3,348,109</u>
Change in net position	<u>25,437,233</u>	<u>20,319,658</u>
Total net position, beginning of year	<u>494,065,997</u>	<u>473,746,339</u>
Total net position, end of year	<u><u>\$ 519,503,230</u></u>	<u><u>\$ 494,065,997</u></u>

Schedule of Revenues and Expenditures

Budget to Actual (Non-GAAP)

For the Year Ended June 30, 2023

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Operating revenues:			
Sewer charges (net):			
Domestic users	\$ 36,801,493	\$ 38,717,598	\$ 1,916,105
Industrial users	3,370,488	3,805,064	434,576
Billings and collections	1,019,478	1,060,476	40,998
	<u>41,191,459</u>	<u>43,583,138</u>	<u>2,391,679</u>
Facility and tap fees	3,175,000	5,343,261	2,168,261
City of Asheville(Enka Bonds)	35,000	27,962	(7,038)
Rental income	96,000	100,255	4,255
Miscellaneous	428,769	917,624	488,855
Total operating revenues	<u>44,926,228</u>	<u>49,972,240</u>	<u>5,046,012</u>
Nonoperating revenues:			
Investment income	1,096,436	2,737,273	1,640,837
Total nonoperating revenues	<u>1,096,436</u>	<u>2,737,273</u>	<u>1,640,837</u>
Total revenues	<u>46,022,664</u>	<u>52,709,513</u>	<u>6,686,849</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits		9,273,992	
Contractual services		1,958,008	
Utilities		1,625,793	
Repairs and maintenance		1,094,839	
Other supplies and expenses		1,881,508	
Insurance claims and expenses		2,183,582	
Total operating expenditures	<u>20,071,865</u>	<u>18,017,722</u>	<u>2,054,143</u>
Capital Projects:			
Equipment		436,694	
Infrastructure		21,142,388	
Total capital projects	<u>31,080,872</u>	<u>21,579,082</u>	<u>9,501,790</u>
Debt service			
Principal		6,360,825	
Interest		3,196,947	
Total debt service	<u>9,699,361</u>	<u>9,557,772</u>	<u>141,589</u>
Total Expenditures	<u>60,852,098</u>	<u>49,154,576</u>	<u>11,697,522</u>
Revenues over (under) expenditures	<u>(14,829,434)</u>	<u>3,554,937</u>	<u>18,384,371</u>
Other Financing Sources:			
Use of available funds	14,829,434	-	(14,829,434)
	<u>14,829,434</u>	<u>-</u>	<u>(14,829,434)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 3,554,937</u>	<u>\$ 3,554,937</u>

Schedule of Revenues and Expenditures
Budget to Actual (Non-GAAP)
For the Year Ended June 30, 2023 (continued)

	Actual
Reconciliation from budgetary basis (modified accrual) to full accrual:	
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 3,554,937
Reconciling items:	
Unamortized discount recognized in interest expense	431,575
Debt principal payments	6,360,825
Capital project transfers	21,222,769
Change in allowance for doubtful accounts	(161,014)
Change in compensated absences	81,090
Change in health insurance IBNR	(47,434)
Deferred outflows of resources for contributions made in current fiscal year:	
Pension plan	1,239,847
OPEB plan	197,000
Pension expense	(1,264,703)
OPEB expense	(287,000)
Contributed assets	6,399,905
Depreciation	(12,395,591)
Gain on disposal of surplus property	105,027
Total reconciling items	21,882,296
Change in net position	\$ 25,437,233

Combining Schedule of Net Position, All Funds (Non-GAAP)
As of June 30, 2023

	Enterprise Account	Capital Reserve Account
Assets:		
Current assets:		
Cash and cash equivalents	\$ 59,375,756	\$ -
Investments	15,787,554	
Restricted cash and cash equivalents	-	-
Receivables (net):		
Accounts	7,936,525	-
Sales tax	262,161	-
Employee	10,127	-
Interest	83,406	-
Inventories	487,119	-
Prepaid expenses	28,369	-
Total current assets	83,971,017	-
Noncurrent assets:		
Restricted cash and cash equivalents	-	1,238,132
Capital assets:		
Land	-	-
Easements	-	-
Plant and equipment	-	-
Construction in progress	-	-
Less accumulated depreciation	-	-
Total property and equipment	-	-
Total noncurrent assets	-	1,238,132
Total assets	83,971,017	1,238,132
Deferred outflow of resources:	3,962,543	-

Combining Schedule of Net Position, All Funds (Non-GAAP)

As of June 30, 2023 (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
\$ -	\$ 2,106,528	\$ -	294,207	\$ 61,776,491
	560,110	-	78,227	16,425,891
6,938,431	-		-	6,938,431
-	-	-		7,936,525
-	171,418	-	3,229	436,808
-	-	-	-	10,127
-	-	-	-	83,406
-	-	-	-	487,119
-	-	-	-	28,369
6,938,431	2,838,056	-	375,663	94,123,167
-	-	-	-	1,238,132
-	-	-	2,808,890	2,808,890
-	-	-	11,916,362	11,916,362
-	-	-	705,802,076	705,802,076
-	-	-	31,142,806	31,142,806
-	-	-	(232,761,246)	(232,761,246)
-	-	-	518,908,888	518,908,888
-	-	-	518,908,888	520,147,020
6,938,431	2,838,056	-	519,284,551	614,270,187
-	1,001,645	-	1,183,714	6,147,902

Combining Schedule of Net Position, All Funds (Non-GAAP)
As of June 30, 2023 (continued)

	Enterprise Account	Capital Reserve Account
Liabilities		
Current liabilities:		
Payments from current assets:		
Accounts payable and accrued expenses	1,461,755	-
Current portion of compensated absences payable	70,000	-
Payments from restricted cash and cash equivalents:		
Bond interest payable	-	-
Current portion of long-term obligation	-	-
Total current liabilities	<u>1,531,755</u>	<u>-</u>
Noncurrent liabilities:		
Compensated absences, net of current portion	894,264	-
Other post-employment benefits	3,435,000	-
Net pension liability	4,715,033	-
Derivative liability	-	-
Long-term obligations, net of current maturities	-	-
Total noncurrent liabilities	<u>9,044,297</u>	<u>-</u>
Total liabilities	<u>10,576,052</u>	<u>-</u>
Deferred inflows of resources	<u>675,530</u>	<u>-</u>
Net position	<u>\$ 76,681,978</u>	<u>\$ 1,238,132</u>

Combining Schedule of Net Position, All Funds (Non-GAAP)

As of June 30, 2023 (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
-	1,965,405	-	71,424	3,498,584
-	-	-	-	70,000
1,319,349	-	-	-	1,319,349
-	-	-	5,631,824	5,631,824
1,319,349	1,965,405	-	5,703,248	10,519,757
-	-	-	-	894,264
-	-	-	-	3,435,000
-	1,532,849	-	-	6,247,882
-	-	-	128,619	128,619
-	-	-	78,984,138	78,984,138
-	1,532,849	-	79,112,757	89,689,903
1,319,349	3,498,254	-	84,816,005	100,209,660
-	29,669	-	-	705,199
\$ 5,619,082	\$ 311,778	\$ -	\$ 435,652,260	\$ 519,503,230

**Combining Schedule of Revenues, Expenses, and
Changes in Net Position, All Funds (Non-GAAP)
For the Year Ended June 30, 2023**

	Enterprise Account	Capital Reserve Account
Operating revenues:		
Sewer charges (refunds)	\$ 43,422,124	\$ -
Facility and tap fees	-	-
Miscellaneous	968,371	-
Total operating revenues	<u>44,390,495</u>	<u>-</u>
Operating expenses:		
Operations	18,243,025	-
Depreciation	-	-
Total operating expenses	<u>18,243,025</u>	<u>-</u>
Operating income (loss)	<u>26,147,470</u>	<u>-</u>
Nonoperating revenues (expenses):		
Investment income	2,679,440	39,734
Interest expense	-	-
Gain (Loss) on disposal of surplus property	105,027	-
Total nonoperating revenues (expenses)	<u>2,784,467</u>	<u>39,734</u>
Income (loss) before other transactions	<u>28,931,937</u>	<u>39,734</u>
Capital contribution	-	-
Operating transfers	(25,171,539)	170,017
Purchase of and transfer capital assets	(436,694)	-
Payment of debt and other long-term obligation:		
Principal	-	-
Change in net position	<u>3,323,704</u>	<u>209,751</u>
Total net position, beginning of year	73,358,274	1,028,381
Total net position, end of year	<u>\$ 76,681,978</u>	<u>\$ 1,238,132</u>

**Combining Schedule of Revenues, Expenses, and
Changes in Net Position, All Funds (Non-GAAP)
For the Year Ended June 30, 2023** (continued)

Bond Service Account	Construction Account	General Account	Capital Account	Total
\$ -	\$ -	\$ -	\$ -	\$ 43,422,124
-	-	5,343,261	-	5,343,261
-	170	77,300	-	1,045,841
-	170	5,420,561	-	49,811,226
-	153,791	-	58,419	18,455,235
-	-	-	12,395,591	12,395,591
-	153,791	-	12,454,010	30,850,826
-	(153,621)	5,420,561	(12,454,010)	18,960,400
6,742	-	52	11,305	2,737,273
(2,765,372)	-	-	-	(2,765,372)
-	-	-	-	105,027
(2,758,630)	-	52	11,305	76,928
(2,758,630)	(153,621)	5,420,613	(12,442,705)	19,037,328
-	-	6,399,905	-	6,399,905
8,478,646	21,308,913	(5,420,613)	634,576	-
-	(21,084,827)	(6,399,905)	27,921,426	-
(6,360,825)	-	-	6,360,825	-
(640,809)	70,465	-	22,474,122	25,437,233
6,259,891	241,313	-	413,178,138	494,065,997
<u>\$ 5,619,082</u>	<u>\$ 311,778</u>	<u>\$ -</u>	<u>\$ 435,652,260</u>	<u>\$ 519,503,230</u>

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Statistical Section

Introduction

This part of MSD's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

- [Net Position by Component](#)
- [Changes in Net Position](#)
- [General Revenue by Source](#)
- [Expenses by Function](#)

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant revenue sources.

- [Sewer Charge Revenue by Customer Type](#)
- [Residential Sewer Rates](#)
- [Principal Commercial Users](#)
- [Customer Accounts by Member Agency](#)

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

- [Ratio of Outstanding Debt](#)
- [Revenue Bond Coverage](#)

Introduction (continued)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

- [Demographic & Economic Statistics](#)
- [Personal Income by Industry](#)
- [Principal Employers](#)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

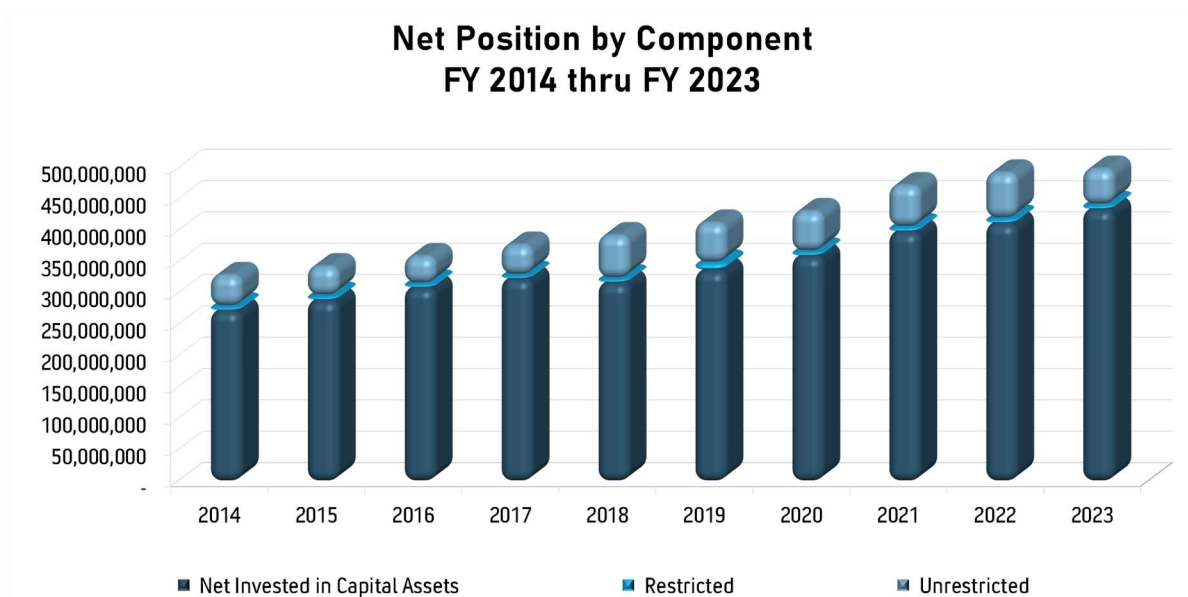
- [Employees by Division](#)
- [Operating Indicators by Division](#)

Source: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Report for the relevant year.

Net Position by Component

FY 2014-FY 2023

Fiscal Year Ended June 30	Net Invested in Capital Assets	Restricted	Unrestricted	Total Net Position
2014	273,702,824	6,238,648	50,388,726	330,330,198
2015	290,329,700	6,930,286	47,164,270	344,424,256
2016	310,277,965	6,087,649	44,227,370	360,592,984
2017	324,826,191	5,169,667	48,827,214	378,823,072
2018	318,591,132	6,045,516	69,374,003	394,010,651
2019	337,729,290	11,860,481	64,530,210	414,119,981
2020	360,881,071	6,747,582	64,850,064	432,478,717
2021	399,621,901	7,016,964	67,107,474	473,746,339
2022	412,955,363	7,288,272	73,822,362	494,065,997
2023	435,348,021	6,857,214	77,297,995	519,503,230



Changes in Net Position

FY 2014-FY 2023

(Accrual Basis of Accounting)

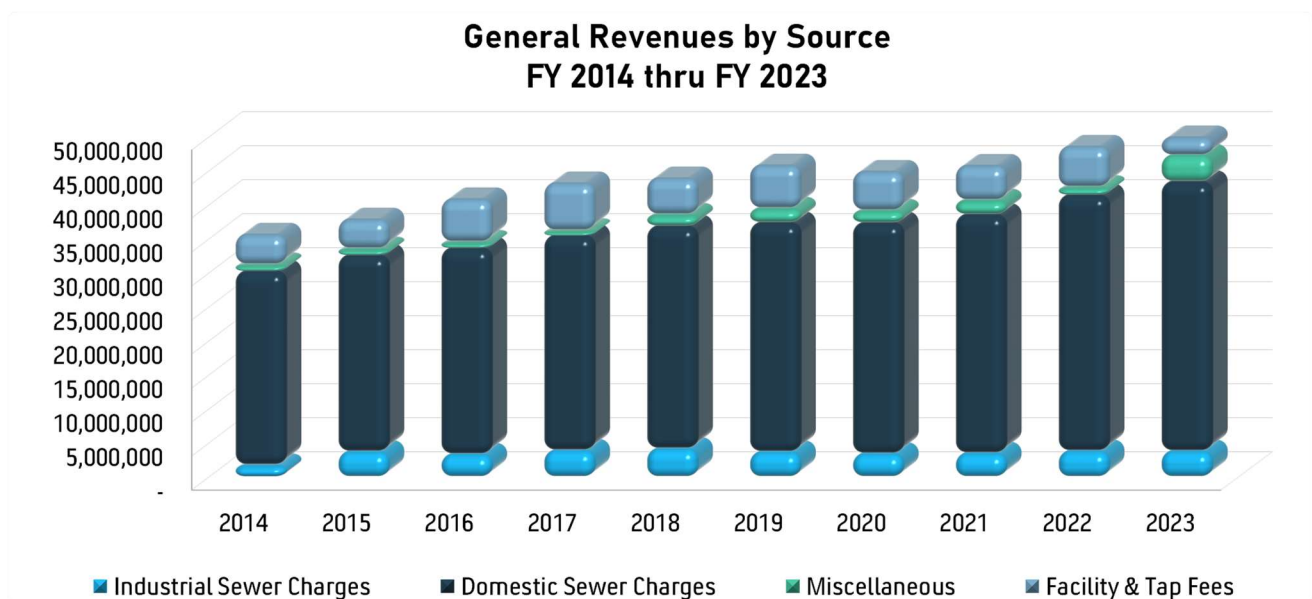
	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues:										
Sewer charges	\$ 30,287,440	\$ 32,617,886	\$ 33,679,560	\$ 35,521,220	\$ 36,891,000	\$ 37,393,609	\$ 37,371,562	\$ 38,591,901	\$ 41,484,740	\$ 43,422,124
Facility and tap fees	4,430,475	4,311,259	6,324,596	6,977,097	5,357,008	6,343,842	5,737,611	5,092,060	5,966,012	5,343,261
Miscellaneous	728,937	757,619	764,928	681,243	745,022	716,441	731,965	1,770,022	660,754	1,045,841
Total operating revenues	35,446,852	37,686,764	40,769,084	43,179,560	42,993,030	44,453,892	43,841,138	45,453,983	48,111,506	49,811,226
Operating expenses:										
Salaries & employee benefits	7,019,623	6,758,251	7,183,043	7,656,858	7,846,038	8,043,728	8,762,073	8,640,936	8,427,033	9,664,071
Contractual services	1,247,204	1,398,288	1,472,795	1,653,918	1,598,381	1,657,789	1,619,078	1,810,481	1,798,794	1,958,008
Utilities	1,059,709	1,144,711	1,058,299	1,234,029	1,295,636	1,170,937	1,205,899	1,105,110	1,446,493	1,625,793
Repairs and maintenance	982,524	938,977	998,758	1,019,150	985,838	919,882	975,618	998,183	1,026,018	1,094,839
Other supplies and expenses	1,662,793	1,545,531	1,500,249	1,736,302	1,886,837	1,728,385	1,559,480	1,623,222	1,325,837	1,881,508
Insurance claims and expenses	2,109,844	2,682,426	2,990,973	2,467,567	2,765,151	2,528,122	2,106,989	2,351,485	2,332,926	2,231,016
Depreciation	8,310,114	8,543,402	9,332,957	9,929,559	10,393,126	10,659,346	11,337,087	12,394,875	12,339,044	12,395,591
Total operating expenses	22,391,811	23,011,586	24,537,074	25,697,383	26,771,007	26,708,189	27,566,224	28,924,292	28,696,145	30,850,826
Operating income	13,055,041	14,675,178	16,232,010	17,482,177	16,222,023	17,745,703	16,274,914	16,529,691	19,415,361	18,960,400
Nonoperating revenues (expenses):										
Investment Income	175,797	209,220	237,604	343,988	960,222	1,844,280	1,215,565	30,582	87,001	2,737,273
Interest Expense	(2,104,758)	(2,771,525)	(2,586,670)	(2,794,077)	(3,515,801)	(3,399,735)	(3,292,282)	(3,110,487)	(2,949,509)	(2,765,372)
Amortization of bond issuance costs	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	(434,357)	-	-	-	(355,583)	-	-	-	-	-
Gain (loss) on sale of surplus property	67,663	17,258	(106,997)	(280,337)	10,187	(434,989)	(121,183)	322,770	418,696	105,027
Total nonoperating revenues (expenses)	(2,295,655)	(2,545,047)	(2,456,063)	(2,730,426)	(2,900,975)	(1,990,444)	(2,197,900)	(2,757,135)	(2,443,812)	76,928
Income before contributions & special items	10,759,386	12,130,131	13,775,947	14,751,751	13,321,048	15,755,259	14,077,014	13,772,656	16,971,549	19,037,328
Capital contribution	1,396,385	3,078,520	2,392,781	3,478,337	3,222,031	4,354,071	4,281,722	7,558,647	3,348,109	6,399,905
Special Item - Cane Creek Water and Sewer District asset contribution from Henderson County	-	-	-	-	-	-	-	19,936,419	-	-
Change in Net Position	\$ 12,155,771	\$ 15,208,651	\$ 16,168,728	\$ 18,230,088	\$ 16,543,079	\$ 20,109,330	\$ 18,358,736	\$ 41,267,622	\$ 20,319,658	\$ 25,437,233

General Revenues by Source

FY 2014-FY 2023

Fiscal Year Ended June 30	Industrial Sewer Charges	Domestic Sewer Charges	Facility & Tap Fees	Miscellaneous	Total
2014	1,758,818	28,528,622	4,430,475	972,397	35,690,312
2015	3,725,584	28,892,302	4,311,259	984,097	37,913,242
2016	3,344,074	30,335,486	6,324,596	895,535	40,899,691
2017	3,909,925	31,611,295	6,977,097	744,894	43,243,211
2018	4,159,767	32,731,233	5,357,008	1,715,431	43,963,439
2019	3,687,703	33,705,906	6,343,842	2,125,732	45,863,183
2020	3,426,103	33,945,459	5,737,611	1,826,347	44,935,520
2021	3,497,070	35,094,831	5,092,060	2,123,374	45,807,335
2022	3,816,103	37,668,637	5,966,012	1,166,451	48,617,203
2023	3,805,064	39,617,060	5,343,261	3,888,141	52,653,526

Note: Does not include Capital Contributions.



Expenses by Function (Non-GAAP)

FY 2014-FY 2023

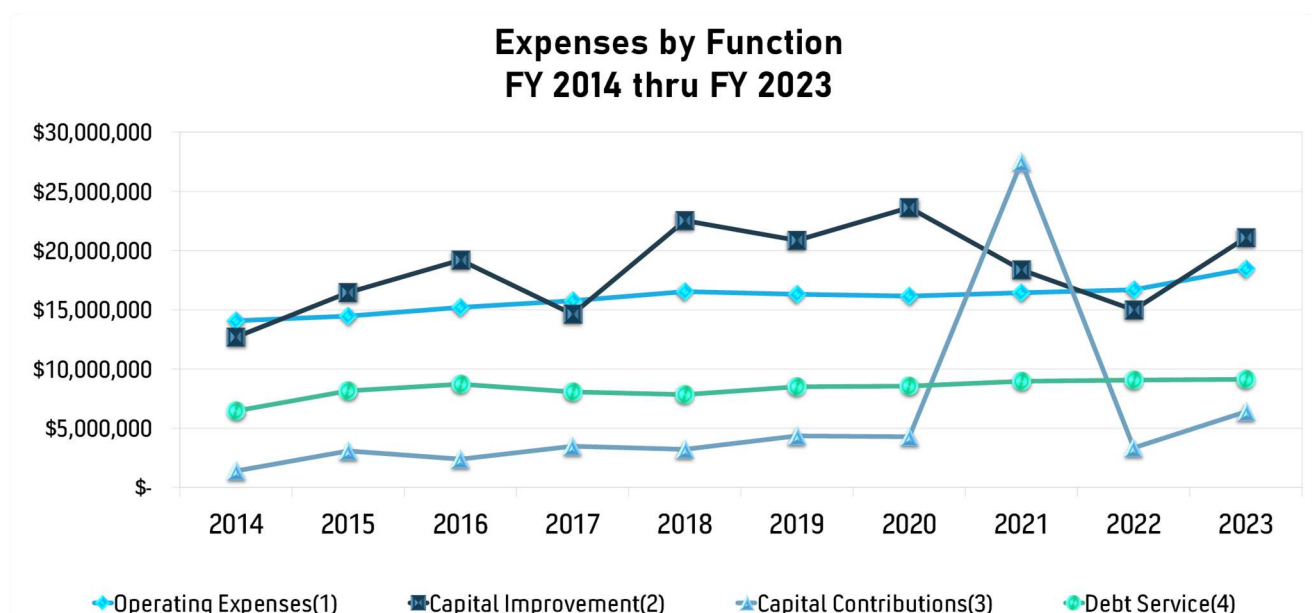
Fiscal Year Ended June 30	Adjusted Operating Expenses ⁽¹⁾	Capital Improvement ⁽²⁾	Capital Contributions ⁽³⁾	Debt Service ⁽⁴⁾	Total
2014	14,081,697	12,701,810	1,396,385	6,464,583	34,644,475
2015	14,468,184	16,455,653	3,078,520	8,154,350	42,156,707
2016	15,204,117	19,201,501	2,392,781	8,722,495	45,520,894
2017	15,767,824	14,631,155	3,478,337	8,069,902	41,947,218
2018	16,536,830	22,528,740	3,222,031	7,841,626	50,129,227
2019	16,315,760	20,860,363	4,354,071	8,505,560	50,035,754
2020	16,158,239	23,629,714	4,281,722	8,558,107	52,627,782
2021	16,441,116	18,377,093	27,495,566	8,966,312	71,280,087
2022	16,698,185	14,984,686	3,348,109	9,070,334	44,101,314
2023	18,451,226	21,084,827	6,399,905	9,126,197	55,062,155

¹ See Note 10

² Excludes depreciation expense

³ This includes collection system infrastructure contributed by developers and Cane Creek Water and Sewer District asset contribution from Henderson County

⁴ Includes Bond Principal Expense and Bond Interest Less Capitalized Interest Portion and excludes early retirement of long-term debt



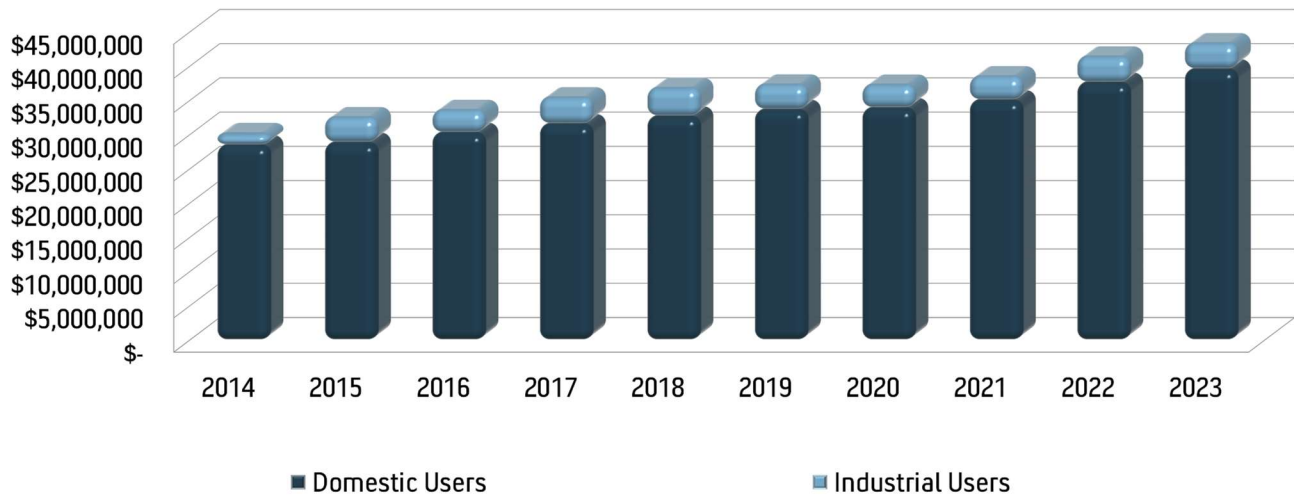
Sewer Charge Revenue by Customer Type

FY 2014-FY 2023

	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Domestic Users										
Asheville	\$ 21,527,715	\$ 22,423,891	\$ 23,494,692	\$ 24,518,045	\$ 25,487,028	\$ 26,164,545	\$ 26,484,060	\$ 26,860,749	\$ 28,377,007	\$ 29,911,818
Biltmore Forest	318,743	366,741	366,135	348,323	322,377	326,587	346,937	317,195	356,509	391,433
Black Mountain	1,001,650	1,052,869	1,069,901	1,096,604	1,169,878	1,195,893	1,244,835	1,256,334	1,364,224	1,426,055
Henderson County	1,129,721	1,203,477	1,250,146	1,447,613	1,493,912	1,535,675	1,431,015	1,403,908	1,743,209	1,831,291
Montreat	243,406	256,944	260,871	268,045	244,133	290,989	278,707	247,890	247,366	266,184
Weaverville	671,221	749,113	814,691	887,368	932,060	1,007,833	1,030,505	1,007,754	1,143,222	1,246,228
Woodfin Sanitary Water & Sewer District	1,024,986	1,049,061	1,084,717	1,120,014	1,171,111	1,198,467	1,201,332	1,251,937	1,204,637	1,303,739
Other	2,611,180	1,790,206	1,994,333	1,925,283	1,910,734	1,985,917	1,928,068	2,749,064	3,232,463	3,240,313
Industrial Users	1,758,818	3,725,584	3,344,074	3,909,925	4,159,767	3,687,703	3,426,103	3,497,070	3,816,103	3,805,064
Total	\$ 30,287,440	\$ 32,617,886	\$ 33,679,560	\$ 35,521,220	\$ 36,891,000	\$ 37,393,609	\$ 37,371,562	\$ 38,591,901	\$ 41,484,740	\$ 43,422,124

Note: Municipalities include sewer charges on water bills. "Other" represents sewer charges billed directly by MSD to domestic users.

**Sewer Revenue by Customer Type
FY 2014 - FY 2023**

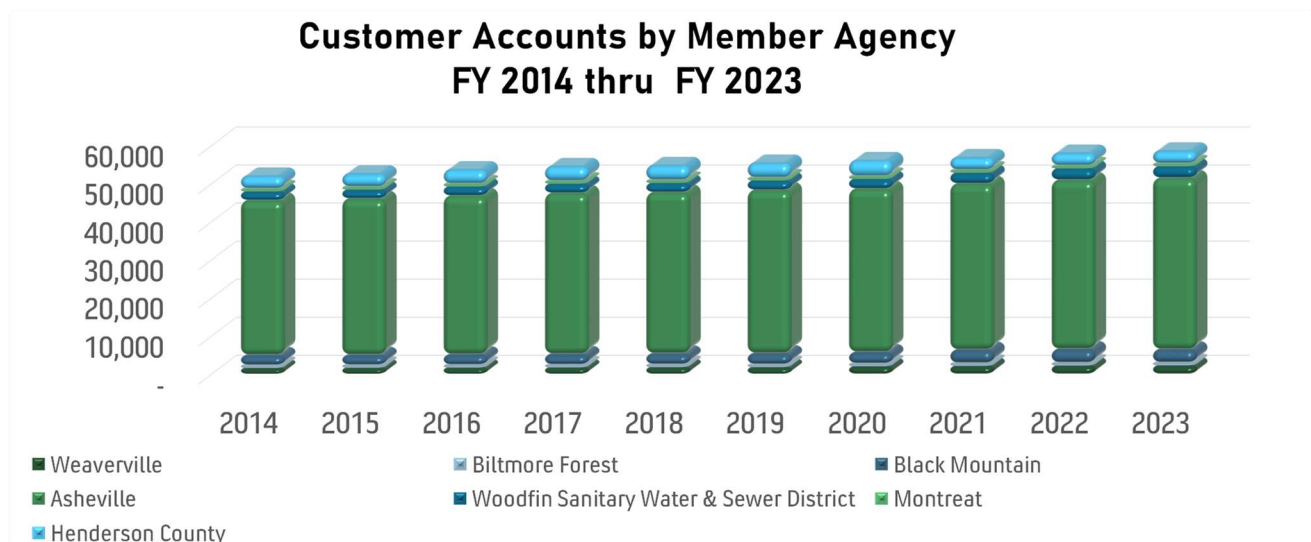


Customer Accounts by Member Agency

FY 2014-FY 2023

	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Asheville	40,620	41,020	41,634	42,242	42,298	42,842	42,866	43,587	44,376	44,990
Biltmore Forest	650	653	662	649	649	653	658	658	662	667
Black Mountain	2,647	2,642	2,729	2,788	2,854	2,908	2,981	3,505	3,587	3,485
Henderson County	3,417	3,512	3,774	3,898	3,964	3,911	4,201	3,345	3,374	3,394
Montreat	663	666	666	669	669	674	677	678	680	679
Weaverville	1,694	1,740	1,779	1,830	1,901	1,901	2,126	2,224	2,309	2,353
Woodfin Sanitary Water & Sewer District	<u>2,422</u>	<u>2,469</u>	<u>2,527</u>	<u>2,557</u>	<u>2,567</u>	<u>2,616</u>	<u>2,686</u>	<u>2,969</u>	<u>3,151</u>	<u>3,156</u>
Total	<u>52,113</u>	<u>52,702</u>	<u>53,771</u>	<u>54,633</u>	<u>54,902</u>	<u>55,505</u>	<u>56,195</u>	<u>56,966</u>	<u>58,139</u>	<u>58,724</u>

Source: Member Agencies



Residential Sewer Rates

FY 2014-FY 2023

Fiscal Year Ended June 30	Monthly Base Rate	Rate Per 1,000 Gallons	Average Monthly Billing
2014	6.28	5.45	27.81
2015	6.44	5.59	28.49
2016	6.60	5.72	29.15
2017	6.77	5.87	29.88
2018	6.94	6.02	30.62
2019	7.11	6.16	31.36
2020	7.29	6.32	32.17
2021	7.29	6.32	32.17
2022	7.49	6.50	33.04
2023	7.72	6.70	34.10

Note: Rates are based on 5/8" meter, which is the standard household meter size. The District charges a higher base rate for larger meters. Each municipality will set its own water rates.

Principal Commercial Users

FY 2014 & FY 2023

Commercial User	Type of Business	2014			2023		
		Total Charges	Rank	Percentage of Total Charges	Total Charges	Rank	Percentage of Total Charges
Milkco, Inc.	Dairy Products & Juices	\$ 493,020	1	1.63%	\$ 808,431	1	1.86%
Jacob Holm Industries America	Textile Manufacturer	-----			390,792	2	0.90%
New Belgium Brewing	Micro-Brewery Manufacturer	-----			296,519	3	0.68%
Sierra Nevada	Micro-Brewery Manufacturer	-----			275,490	4	0.63%
Ridgecrest Baptist Conference Center	Christian Conference Center	177,690	3	0.59%	209,402	5	0.48%
University of North Carolina - Asheville	University	-----			197,731	6	0.46%
Arcadia Beverage	Beverage Supplier for local/global retailers	99,771	7	0.33%	193,641	7	0.45%
Mission Health System	Health & Emergency Services	268,372	2	0.89%	175,151	8	0.40%
Duke Energy Progress	Energy Provider	-----			173,567	9	0.40%
The Biltmore Company	Tourist Attraction/Winery/Resort Services	-----			159,346	10	0.37%
Givens Estates, Inc.	Continuing Care Retirement Community	145,699	4	0.48%	-----		
Bonar - (formerly Colbond)	Chemical Manufacturer	133,406	5	0.44%	-----		
VA Medical Center - Asheville Department of Veterans Affairs	Veterans Hospital	125,433	6	0.41%	-----		
Continental Automotive Systems	Automotive Parts Manufacturer	94,610	8	0.31%	-----		
Mission Hospital Laundry - formerly Cooperative Laundry Services	Laundry Services Provider	92,802	9	0.31%	-----		
Black Mountain Center	Health Care	91,734	10	0.30%	-----		
TOTAL		\$ 1,630,803		5.38%	\$ 2,880,070		6.63%

Source: District Billing Records

Ratio of Outstanding Debt

FY 2014-FY 2023

Fiscal Year Ended June 30	Total Outstanding Debt ¹	Debt Per Capita ²	Per Capita Income ³	Percentage of Personal Income
2014	110,407,625	921	40,604	2.27%
2015	104,325,293	857	43,006	1.99%
2016	97,627,539	789	44,478	1.77%
2017	91,896,562	731	46,297	1.58%
2018	115,148,090	912	48,936	1.86%
2019	109,315,483	856	50,690	1.69%
2020	103,385,018	800	53,309	1.50%
2021	96,960,999	740	57,895	1.28%
2022	90,356,267	676	Unavailable	Unavailable
2023	83,560,867	619	Unavailable	Unavailable

¹ Calculations derived from the balance of outstanding debt in Note 3 less the unamortized bond refunding charges in Note 11

² This ratio was calculated by using the number of domestic accounts and multiplying by Buncombe County census average of 2.3 persons per household to get the number of users in the District.

³ Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

See Personal Income by Industry on page 100 to assess economic base of the County.

Revenue Bond Coverage

FY 2014-FY 2023

From 1985 to 2002, the District was subject to Section 501 of the 1985 Bond Order which covenants that the District will set rates to produce sufficient revenues, together with any other available funds, including the amounts transferred by the District from the General Fund to the Revenue Fund, to permit the deposit and transfer to the credit of the Revenue Fund in the then current fiscal year of a sum at least equal to the total of the following:

1. the current expenses of the Sewerage System for the current fiscal year, and
2. to provide for the higher of either:
 - a. the amounts needed for making the required cash deposits in each fiscal year to the credit of the several accounts in the Bond Service Fund and to the credit of the Subordinated Indebtedness Service Fund, the Debt Service Reserve Fund, and the Maintenance Reserve Fund, or
 - b. one hundred twenty per centum (120%) of the amount of the principal and interest requirements for the current fiscal year on account of the indebtedness then outstanding excluding principal and interest requirements on account of indebtedness incurred to finance improvements or additional improvements which have not been completed as of the beginning of such fiscal year.

However, with the issuance of refunding bonds on April 3, 2003, a sufficient amount of debt subject to the 1985 bond order was defeased allowing application of the 1999 Amended Bond Order whose rate covenant is summarized in the following paragraph.

The District covenants to set rates and charges so that the Income Available for Debt Service (defined as the excess of "Revenues" over "Current Expenses") will not be less than the greater of (i) one hundred twenty percent (120%) of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year and (ii) one hundred percent (100%) of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year. The definition of revenues for this purpose does not include grants, contributions, investment income credited to non-operating funds, or tap and connection fees. Current expenditures include operating expenses other than additions to reserve funds, depreciation or amortization, or debt service payments.

Revenue Bond Coverage

FY 2014-FY 2023

The District does not currently have any subordinated indebtedness, so the computation of the current fiscal year's compliance with this covenant is based solely on 120% of the debt service requirement.

Long-Term Debt Service Requirement is defined as interest and principal required to be remitted to the Trustee, except that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness. The coverage ratio is computed on the basis of 100% of required debt service.

Fiscal Year Ended June 30	Adjusted Revenues (B)	Adjusted Current Expenses (A)	Income Available for Debt Service	Long-Term Debt Service Requirement	120% of Long- Term Debt Service Requirement	Excess of Income Available for Debt over Debt Service	Coverage Ratio
2014	31,096,483	14,302,479	16,794,004	8,408,166	10,089,799	8,385,838	2.00
2015	33,428,669	15,179,802	18,248,867	10,184,460	12,221,352	8,064,407	1.79
2016	34,529,568	15,688,258	18,841,310	9,003,519	10,804,223	9,837,791	2.09
2017	36,402,135	16,280,644	20,121,491	7,918,557	9,502,268	12,202,934	2.54
2018	38,102,682	16,536,830	21,565,852	9,423,689	11,308,427	12,142,163	2.29
2019	39,379,533	16,315,760	23,063,773	9,412,540	11,295,048	13,651,233	2.45
2020	39,022,654	16,158,239	22,864,415	9,826,547	11,791,856	13,037,868	2.33
2021	40,325,772	16,441,116	23,884,656	9,811,696	11,774,035	14,072,960	2.43
2022	42,157,737	16,698,185	25,459,552	9,797,850	11,757,420	15,661,702	2.60
2023	47,070,105	18,451,226	28,618,879	8,829,772	10,595,726	19,789,107	3.24

(A) Includes all operation and maintenance expenses, except depreciation.

(B) Does not include tap and connection fees, grants, contributions, investment income allocated to non-operating funds.

Demographic & Economic Statistics

FY 2014-FY 2023

Fiscal Year Ended June 30	Population Estimates ¹	Per Capita Income ²	Median Age ¹	Civilian Labor Force ³		
				Employed	Unemployed	Unemployment Rate
2014	249,265	40,797	41.0	122,480	5,898	4.6%
2015	252,160	42,996	41.1	125,355	6,131	4.7%
2016	255,222	44,403	41.7	129,324	5,412	4.0%
2017	257,408	46,323	41.9	130,418	4,801	3.6%
2018	259,726	48,819	42.1	133,710	4,501	3.3%
2019	262,049	50,804	42.2	135,749	4,554	3.2%
2020	263,477	53,309	42.3	116,658	16,817	12.6%
2021	271,534	57,895	42.2	129,655	6,648	4.9%
2022	Unavailable	Unavailable	Unavailable	136,819	4,682	3.3%
2023	Unavailable	Unavailable	Unavailable	141,046	4,025	2.8%

Note: The information above is for Buncombe County, North Carolina. The District believes that the above information is representative of the service area, which extends over approximately 80% of the county.

Statistical data for population estimate/per capita personal income/median age for calendar years 2021 & 2022 were not available at the time of this report.

Sources:

¹ United States Census Bureau

² Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce; Last updated: November 16, 2022-- new statistics for 2020; revised statistics for 1998-2021.

³ U.S. Department of Labor - Bureau of Labor Statistics; Local Area Unemployment Statistics

Personal Income by Industry

CY 2014-CY 2023

	Calendar Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Personal Income	7,176,254	7,621,291	8,065,982	8,400,972	8,939,875	9,453,923	9,337,100	10,405,983	Unavailable	Unavailable
Farm earnings	27,151	30,283	25,504	28,661	17,224	24,586	34,299	20,078	-	-
Nonfarm earnings	7,149,103	7,591,008	8,040,478	8,372,311	8,922,651	9,429,337	9,302,801	10,385,905	-	-
Private earnings	6,093,426	6,523,410	6,952,063	7,233,928	7,712,694	8,166,411	7,961,678	9,040,466	-	-
Agricultural services, forestry, fishing	5,924	5,929	6,627	7,036	7,380	5,928	8,288	8,442	-	-
Mining	6,370	6,585	4,914	6,141	5,441	6,032	5,982	8,964	-	-
Construction	392,983	448,839	477,954	529,089	623,861	692,455	636,325	682,024	-	-
Manufacturing:	757,644	821,492	836,339	862,114	912,148	983,570	966,205	1,052,461	-	-
Durable goods	536,048	541,045	530,183	553,542	596,298	645,581	638,867	684,049	-	-
Nondurable goods	221,596	280,447	306,156	308,572	315,850	337,989	327,338	368,412	-	-
Wholesale trade	236,067	248,576	255,030	265,004	269,683	278,843	273,254	298,338	-	-
Retail Trade	557,906	593,659	631,294	652,947	678,692	692,068	708,733	797,993	-	-
Transportation and public utilities	265,025	302,007	267,878	295,011	303,259	322,035	324,524	351,936	-	-
Services	3,871,507	4,096,323	4,472,027	4,616,586	4,912,230	5,183,749	5,038,367	5,840,308	-	-
Government and government enterprises:	1,055,677	1,067,598	1,088,415	1,138,383	1,209,957	1,262,926	1,341,123	1,345,439	-	-
Federal, civilian	315,026	316,318	323,143	336,206	361,488	394,451	454,291	467,748	-	-
Military	24,683	23,637	24,235	24,652	27,932	29,184	30,608	29,753	-	-
State and local	715,968	727,643	741,037	777,525	820,537	839,291	856,224	847,938	-	-

Note: The above data is for Buncombe County, North Carolina. MSD believes the data is representative of the entire service area. Growth in personal income over time may be compared to average monthly billing to evaluate the affordability of sewer rates for customers.

Source:

Regional Economic Accounts, Bureau of Economic Analysis, US Department of Commerce;
Last updated: November 16, 2022-- new statistics for 2021; revised statistics for 2001-2020.

Principal Employers

FY 2014 & FY 2023

Employer	FY 2014			FY 2023		
	Employees	Rank	% of Total County Employment	Employees*	Rank	% of Total County Employment
Mission Health System & Hospitals	6,994	1	5.76%	1,000+	1	0.71%
Ingles Markets, Inc.	1,137	6	0.94%	1,000+	2	0.71%
Buncombe County Board of Education	4,000	2	3.29%	1,000+	3	0.71%
VA Medical Center - Asheville	1,593	4	1.31%	1,000+	4	0.71%
The Biltmore Company	1,770	3	1.46%	1,000+	5	0.71%
Buncombe County Government	1,380	5	1.14%	1,000+	6	0.71%
Wal-Mart Associates, Inc.	-	-	-	1,000+	7	0.71%
City of Asheville	1,000	9	0.82%	1,000+	8	0.71%
Eaton Corporation	-	-	-	1,000+	9	0.71%
Mountain Area Health Education Center	-	-	-	500-999	10	0.35%-0.71%
Total for Principal Employers	<u>13,874</u>		<u>11.43%</u>	<u>9,500 - 9,999</u>		<u>6.56%-7.3%</u>

* Employee range is the only public information available

Note: The information above is for Buncombe County, North Carolina. The District believes that the above information is representative of the entire service area, which extends over approximately 80% of the County.

Source: Asheville Area Chamber of Commerce, Economic Development Department & NC Employment Security Commission

Employees by Division (FTE's)

FY 2014-FY 2023

Department	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Office of the General Manager										
Office Support	1	1	1	1	0	0	0	0	0	0
Human Resources Department										
Human Resource	3	3	3	3	3	3	4	4	4	4
Environmental, Health & Safety	2	2	2	2	2	2	2	2	2	2
Information Technology Department										
IT & MIS	5	5	5	5	5	5	5	5	5	5
Geographic Information Systems	4	4	4	4	4	4	4	4	4	4
Financial Services Department										
Finance & Budget	1	1	1	1	1	1	1	1	1	1
Accounting, Investments & Cash Flow Mgmt.	4	4	4	3	3	3	3	3	3	3
Purchasing & Warehouse	3	3	3	3	2	2	2	2	2	2
Fleet Maintenance	4	4	4	4	4	4	4	4	4	4
Structural Maintenance	6	6	6	6	6	6	6	6	6	6
Water Reclamation Facility										
Office Support	0	0	1	1	1	1	1	1	1	1
Plant Operations	10	11	11	12	12	12	13	13	13	13
Industrial Waste	5	5	5	5	5	5	3	4	4	4
System Services Department										
Office Support	4	4	4	4	4	4	4	4	4	4
Pump Station Maintenance	0	0	0	3	3	4	5	5	5	4
Mechanical Maintenance	0	0	7	7	7	7	8	8	8	9
Electrical Maintenance/Hydro	15	12	7	4	4	4	4	4	4	4
Construction Administration	5	5	5	5	6	6	6	6	6	6
System Services	51	54	51	54	54	54	54	54	54	54
Engineering Services Department										
Office Support	1	1	1	0	0	0	0	0	0	0
Right of Way	3	3	3	3	3	3	3	3	3	3
Planning and Development	5	3	4	3	4	4	4	4	4	4
Design and Drafting	3	3	3	3	3	3	3	3	3	3
Engineers	4	5	4	4	4	4	4	4	4	4
Management										
Division Heads	8	7	7	7	7	7	7	7	7	7
General Manager	1	1	1	1	1	1	1	1	1	1
Total	148	147	147	148	148	149	151	152	152	152

Note: All employees are considered full time based on 2080 hours worked per year. Above numbers represent budgeted positions and may include vacancies at year-end.

Source: District Personnel Records.

Operating Indicators by Division

FY 2014-FY 2023

DEPARTMENT	FISCAL YEAR									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Engineering Services Department										
Sewer Tap Applications	1,594	1,382	1,177	1,631	1,443	1,169	1,004	1,204	1,123	1,039
Plans Reviewed	69	62	66	76	78	68	69	60	63	60
Linear Feet of rehabilitated Sewer Systems	51,110	46,729	42,675	49,782	49,918	44,790	30,041	34,506	22,627	31,015
Linear Feet of Accepted Sewer Systems	18,314	29,185	43,616	32,945	39,888	48,455	23,699	34,000	27,308	46,206
Human Resources Department										
Number of workforce injuries	12	5	5	5	5	5	2	1	2	2
Lost Work Rate per 100 employees	7.85	3.48	3.48	3.48	3.46	3.46	0.00	0.00	1.28	1.32
System Services Department										
Average Response Time to sewer problem (hours)	0.52	0.55	0.52	0.52	0.51	0.51	0.51	0.52	0.57	0.57
Lines Washed (lineal feet) - in-house only	699,543	729,451	730,000	885,687	1,124,220	900,249	905,778	917,978	874,899	898,177
Construction Repairs to Sewer Lines	589	543	500	555	508	493	380	466	433	409
Taps Installed	218	239	234	358	351	324	294	285	317	273
Manhole Repairs	355	376	294	330	323	286	217	183	178	173
Sanitary Sewer Overflows	36	37	53	30	25	40	19	11	26	25
Pump Stations	32	32	31	30	30	30	31	41	40	40
Water Reclamation Facility										
Sanitary Sewers (approximate miles)	1,000	1,000	1,000	1,020	1,027	1,043	1,041	1,130	1,140	1,140
Treatment Provided (millions of gallons)	8,358.50	6,971.50	7,884.00	7,117.50	7,592.00	9,453.50	8,541.00	7,993.50	7,884.00	7,621.20
Daily (average) flow treated (millions of gallons daily)	22.9	19.1	21.6	19.5	20.8	25.9	23.4	21.9	21.6	20.9
Maximum daily flow treated (millions of gallons daily)	74.6	39.0	67.1	53.0	64.8	67.5	67.2	67.3	53.7	60.0
Percentage of plant capacity used	57.3%	47.8%	54.0%	48.8%	52.0%	64.8%	58.5%	54.8%	54.0%	52.2%
Cost per millions of gallons treated	\$ 614	\$ 735	\$ 735	\$ 767	\$ 718	\$ 554	\$ 729	\$ 708	\$ 588	\$ 730
Energy cost per millions of gallons treated	\$ 101	\$ 115	\$ 96	\$ 117	\$ 121	\$ 107	\$ 111	\$ 91	\$ 140	\$ 139
Total suspended solids (TSS) removal efficiency (%)	96%	97%	97%	97%	97%	95%	94%	93%	94%	95%

Source: District Operational Records

Compliance Section



**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Charlotte, North Carolina
October 17, 2023