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

**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 24, 2026**

**NEW ISSUE—Book-Entry Only**

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

**County of Buncombe, North Carolina**

**\$11,230,000\***  
**General Obligation Bonds**  
**Series 2026A**

**\$21,060,000\***  
**Taxable General Obligation Bonds**  
**Series 2026B**

**Dated: Date of Delivery**

**Due: As shown on inside cover page**

*Tax Treatment*

In the opinion of Parker Poe Adams & Bernstein LLP, Bond Counsel, under existing law, (1) assuming compliance by the County with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2026A Bonds (a) is excludable from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal individual alternative minimum tax provided, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations, (2) interest on the 2026B Bonds is taxable as ordinary income for federal income tax purposes, and (3) interest on the Bonds is exempt from State of North Carolina income taxation. See "**TAX TREATMENT**" herein.

*Redemption*

The Bonds are subject to optional redemption prior to maturity as described herein.

*Security*

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

*Interest Payment Dates*

June 1 and December 1, commencing December 1, 2026.

*Denominations*

\$5,000 or any integral multiple thereof.

*Expected Closing/Settlement*

May 27, 2026.

*Bond Counsel*

Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina.

*Municipal Advisor*

Davenport & Company LLC, Charlotte, North Carolina.

*Sale Date*

May 5, 2026.

*Sale of Bonds*

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

***The date of this Official Statement is May \_\_, 2026.***

\*Preliminary, subject to change.

## MATURITY SCHEDULE

### County of Buncombe, North Carolina

#### **\$11,230,000\*** **General Obligation Bonds, Series 2026A**

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>1</sup></u>	<u>CUSIP+</u>
2039	\$ 775,000			
2040	775,000			
2041	1,615,000			
2042	1,615,000			
2043	1,615,000			
2044	1,615,000			
2045	1,610,000			
2046	1,610,000			

#### **\$21,060,000\*** **Taxable General Obligation Bonds, 2026B**

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield<sup>1</sup></u>	<u>CUSIP+</u>
2027	\$1,615,000			
2028	1,615,000			
2029	1,615,000			
2030	1,615,000			
2031	1,615,000			
2032	1,615,000			
2033	1,615,000			
2034	1,615,000			
2035	1,615,000			
2036	1,615,000			
2037	1,615,000			
2038	1,615,000			
2039	840,000			
2040	840,000			

\*Preliminary, subject to change.

<sup>1</sup>Information obtained from underwriters.

+ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. Copyright ©2026 CUSIP Global Services. All rights reserved. CUSIP data herein is provided for convenience of reference only. The Local Government Commission, the County and their respective agents do not take responsibility for the accuracy of such data. Also, investors should be aware that under certain circumstances the CUSIP identification number assigned to a maturity of the Bonds may be changed to a new replacement number.

**COUNTY OF BUNCOMBE, NORTH CAROLINA**



**BOARD OF COMMISSIONERS**

Amanda Edwards .....Chair  
Martin Moore ..... Vice-Chair

Drew Ball  
Jennifer Horton  
Parker Sloan  
Terri Wells  
Al Whitesides



**COUNTY STAFF**

Avril Pinder ..... County Manager  
Melissa Moore ..... Finance Director  
Curt Euler ..... County Attorney

**MUNICIPAL ADVISOR**

Davenport & Company LLC  
Charlotte, North Carolina



**BOND COUNSEL**

Parker Poe Adams & Bernstein LLP  
Raleigh, North Carolina

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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
LOCAL GOVERNMENT COMMISSION

**INTRODUCTION**

This Official Statement, including the cover page and the appendices, is intended to furnish information in connection with the public invitation for bids for the purchase of \$11,230,000\* General Obligation Bonds, Series 2026A (the “2026A Bonds”) and \$21,060,000\* Taxable General Obligation Bonds, Series 2026B (the “2026B Bonds” and together with the Series 2026A Bonds, the “Bonds”), of the County of Buncombe, North Carolina (the “County”).

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

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

This Official Statement is deemed to be a final official statement with respect to the Bonds within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except, when it is in preliminary form, for the omission of certain pricing and other information to be made available to the successful bidder or bidders for the Bonds by the Commission. In accordance with the requirements of Rule 15c2-12, the County has undertaken certain continuing disclosure obligations in a resolution passed by the Board of Commissioners for the County on April 21, 2026 (the “Resolution”). See the caption “Continuing Disclosure” herein.

**THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA**

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

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\*Preliminary, subject to change.

## THE BONDS

### Description

The Bonds will be dated as of their date of delivery, and will bear interest from their date. Interest on the Bonds will be payable semiannually on each June 1 and December 1, commencing December 1, 2026, at the interest rates set forth on the inside cover of this Official Statement. The Bonds will mature, subject to prior redemption, on June 1 in the years and amounts set forth on the inside cover page of this Official Statement. Debt service will be payable to the owners of the Bonds shown on the records of the bond registrar on the record date, which shall be the 15th day (whether or not a business day) next preceding such debt service payment date.

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

### Redemption Provisions

The Bonds maturing on or before June 1, 2036 will not be subject to redemption prior to maturity. The Bonds maturing on and after June 1, 2037 will be subject to redemption prior to maturity, at the option of the County, from any moneys that may be made available for such purpose, either in whole or in part on any date on or after June 1, 2036, at the redemption price of the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

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

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

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

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

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

### **Authorization and Purpose**

The 2026A Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, the bond order duly adopted by the Board of Commissioners for the County on June 7, 2022, which order was approved by the vote of a majority of the qualified voters of the County who voted thereon at a referendum duly called and held on November 8, 2022, and the Resolution. The Bonds are being issued for the purpose of paying (a) the capital costs of acquisition and improvement of land or interests therein for conservation and protection of natural resources and preservation of farmland (b) the costs of issuance of the bonds offered herein.

The 2026B Bonds are being issued pursuant to the provisions of The Local Government Bond Act, as amended, Article 7, as amended, of Chapter 159 of the General Statutes of North Carolina, the bond order duly adopted by the Board of Commissioners for the County on June 7, 2022, which order was approved by the vote of a majority of the qualified voters of the County who voted thereon at a referendum duly called and held on November 8, 2022, and the Resolution. The Bonds are being issued for the purpose of paying (a) the capital costs of acquisition and improvement of land or interests therein for conservation and protection of natural resources and preservation of farmland, (b) the capital costs of housing for the benefit of persons of low or moderate income, including construction of related infrastructure improvements and the acquisition of related land and rights-of-way and (c) the costs of issuance of the bonds offered herein

### **Security**

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

### **Bankruptcy**

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

If the County were to initiate bankruptcy proceedings under Chapter 9 with the consent of the Commission, the bankruptcy proceedings could have material and adverse effects on the owners of the Bonds, including (1) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (2) the incurrence of additional debt, including the claims of those supplying good and services to the County after the initiation of bankruptcy proceedings and the expenses of administering the bankruptcy case, which may have a priority of payment superior to that of the bondholders; and (3) the possibility of the adoption of a plan for the adjustment of the County's debt without the consent of all of the bondholders, which plan may restructure, delay, compromise or reduce the amount of the claim of the bondholders. The effect of the provisions of the Bankruptcy Code on the rights and remedies of the bondholders cannot be predicted with certainty and may be affected significantly by judicial interpretation, general principles of equity and considerations of public policy.

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

### **THE COUNTY**

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

### **CONTINUING DISCLOSURE**

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

- (a) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2026, audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven months from the end of such fiscal year, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the County, beginning with the fiscal year ending June 30, 2026, (i) the financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the headings "Debt Information" and "Tax Information" in **Appendix A** to this Official Statement (excluding any information on overlapping or underlying units) and (ii) the combined budget of the County for the current fiscal year, to the extent such items are not included in the financial statements referred to in (a) above;
- (c) in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:
  - (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults, if material;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (5) substitution of any credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
  - (7) modification to the rights of the beneficial owners of the Bonds, if material;
  - (8) call of any of the Bonds, if material, and tender offers;
  - (9) defeasances of any of the Bonds;
  - (10) release, substitution or sale of any property securing repayment of the Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the County;
  - (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (14) the appointment of a successor or additional trustee, or the change of name of a trustee, if material;
  - (15) incurrence of a financial obligation (as defined below) of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect beneficial owners of the Bonds, if material; and
  - (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the County, any of which reflect financial difficulties; and
- (d) in a timely manner, notice of a failure of the County to provide required annual financial information described in (a) or (b) above on or before the date specified.

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

For purposes of the preceding paragraphs (15) and (16), the term “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

The County may discharge its undertaking described above by transmitting the documents referred to above to an entity and by any method authorized by the United States Securities and Exchange Commission.

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

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

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

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

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

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

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

## **APPROVAL OF LEGAL PROCEEDINGS**

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

## **RATINGS**

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

## TAX TREATMENT

### The 2026A Bonds

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

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

The County has covenanted to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026A Bonds in order that the interest on the 2026A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The opinion of Bond Counsel assumes compliance by the County with such covenants, and Bond Counsel has not been retained to monitor compliance by the County with such covenants subsequent to the date of issuance of the 2026A Bonds. Failure to comply with certain of such requirements may cause the interest on the 2026A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2026A Bonds. No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of or the receipt, accrual or amount of interest with respect to the 2026A Bonds. If the interest on the 2026A Bonds subsequently becomes included in gross income for federal income tax purposes due to a failure by the County to comply with any requirements described above, the County is not required to redeem the 2026A Bonds or to pay any additional interest or penalty.

The Internal Revenue Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the Internal Revenue Service will commence an audit of the 2026A Bonds. Prospective purchasers and owners of the 2026A Bonds are advised that, if the Internal Revenue Service does audit the 2026A Bonds, under current Internal Revenue Service procedures, at least during the early stages of an audit, the Internal Revenue Service will treat the County as the taxpayer, and the owners of the 2026A Bonds may have limited rights, if any, to participate in such audit. The commencement of an audit could adversely affect the market value and liquidity of the 2026A Bonds until the audit is concluded, regardless of the ultimate outcome.

Prospective purchasers and owners of the 2026A Bonds should be aware that ownership of the 2026A Bonds and the accrual or receipt of interest on the 2026A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property or casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain Subchapter S Corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be

deemed to have incurred or continued indebtedness to purchase or carry the 2026A Bonds. Bond Counsel does not express any opinion as to any such collateral tax consequences. Prospective purchasers and owners of the 2026A Bonds should consult their own tax advisors as to collateral tax consequences.

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

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

An owner of a 2026A Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the 2026A Bond if such owner fails to provide to any person required to collect information in accordance with Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" described in Section 6049 of the Code properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

### **Original Issue Discount**

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

In the case of an owner of an OID Bond, the amount of original issue discount on such OID Bond is treated as having accrued daily over the term of such OID Bond on the basis of a constant yield compounded at the end of each accrual period and is added to the owner's cost basis of such OID Bond in determining, for federal income tax purposes, the gain or loss upon the sale, redemption or

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<sup>1</sup> Information provided by underwriters of the 2026A Bonds.

other disposition of such OID Bond (including its sale, redemption or payment at maturity). Amounts received upon the sale, redemption or other disposition of an OID Bond which are attributable to accrued original issue discount on such OID Bonds will be treated as interest exempt from gross income, rather than as a taxable gain, for federal income tax purposes, and will not be a specific item of tax preference for purposes of the federal individual alternative minimum tax. However, it should be noted that the original issue discount that accrues to an owner of an OID Bond may result in other collateral federal income tax consequences for certain taxpayers in the year of the accrual.

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

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

### **Original Issue Premium**

As indicated on the inside cover page, the 2026A Bonds maturing on June 1, 20\_\_ (the “Premium Bonds”), are being sold at initial offering prices which are in excess of the principal amount payable at maturity.<sup>1</sup> The difference between (a) the initial offering prices to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Premium Bonds is sold and (b) the principal amount payable at maturity of such Premium Bonds constitutes original issue premium, which original issue premium is not deductible for federal income tax purposes. In the case of an owner of a Premium Bond, however, the amount of the original issue premium which is treated as having accrued over the term of such Premium Bond is reduced from the owner’s cost basis of such Premium Bond in determining, for federal income tax purposes, the taxable gain or loss upon the sale, redemption or other disposition of such Premium Bond (whether upon its sale, redemption or payment at maturity). Owners of Premium Bonds should consult their tax advisors with respect to the determination, for federal income tax purposes, of the “adjusted basis” of such Premium Bonds upon any sale or disposition and with respect to any state or local tax consequences of owning a Premium Bond.

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<sup>1</sup> Information provided by underwriters of the 2026A Bonds.

## **The 2026B Bonds**

On the date of issuance of the 2026B Bonds, Bond Counsel will render an opinion that, under existing law, the interest on the 2026B Bonds is taxable as ordinary income for federal income tax purposes. No other opinion is expressed by Bond Counsel regarding the federal tax consequences to the ownership of or the receipt or amount of interest with respect to the 2026B Bonds.

Set forth below is a general summary of the anticipated material federal income tax consequences of the purchase, ownership and disposition of the 2026B Bonds. Such summary does not address every aspect of the federal income tax laws that may be relevant to prospective purchasers and owners of 2026B Bonds in light of their personal investment circumstances or to certain types of owners subject to special treatment under the federal income tax laws (for example, banks and life insurance companies) and is generally limited to investors who will hold 2026B Bonds as capital assets within the meaning of Section 1221 of the Code. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a prospective purchaser or owner. Accordingly, prospective purchasers and owners of the 2026B Bonds should consult their own tax advisors regarding federal, state, local, foreign and any other tax consequences with respect to the purchase, ownership and disposition of the 2026B Bonds in their own particular circumstances. Such summary is based on the provisions of the Code, the Treasury Regulations thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. No ruling on any of the issues summarized below has been or will be sought from the Internal Revenue Service and no assurance can be given that the Internal Revenue Service will not take contrary positions and will not prevail with such positions.

Prospective purchasers and owners of the 2026B Bonds should be aware that the acquisition, ownership of or the receipt, accrual or amount of interest on, the 2026B Bonds may result in collateral federal income tax liability consequences to certain taxpayers as well as any tax consequences that may arise under the laws of any state, local or foreign jurisdiction. The extent of such other collateral tax consequences will depend upon the owner's particular tax status or other items of income or deduction and prospective purchasers and owners of the 2026B Bonds, particularly prospective purchasers and owners that are dealers in securities or currencies, traders in securities, persons holding 2026B Bonds as a hedge, straddle, conversion or other integrated transaction for federal income tax purposes, insurance companies, financial institutions, tax-exempt organizations and United States holders whose functional currency is not United States dollars, should consult their own tax advisors as to the collateral tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, the 2026B Bonds. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The Code requires debt obligations, such as the 2026B Bonds, to be issued in registered form and denies certain benefits to the issuer and the holders of debt obligations failing such registration requirement. Such registration requirement with respect to the 2026B Bonds is expected to be satisfied.

Subject to certain exceptions, interest payments to the owners of 2026B Bonds will be reported to the IRS. Such information will be filed each year with the Internal Revenue Service on Form 1099 (or such other applicable form), which reflects the name, address and taxpayer identification number of each registered owner of the 2026B Bonds. A copy of Form 1099 (or such other applicable form) will be sent to each registered owner of the 2026B Bonds for federal income tax reporting purposes.

### **Tax Classification of the 2026B Bonds**

Bond Counsel is of the opinion that, under existing law, the 2026B Bonds will be treated for federal income tax purposes as indebtedness, and interest paid on the 2026B Bonds will be included in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued) as interest.

## **Market Discount**

The resale of any 2026B Bond by any owner of such 2026B Bond may be affected by the "market discount" provisions of the Code. For such purpose, the market discount on any 2026B Bond will generally be equal to the amount, if any, by which the stated redemption price at maturity of such 2026B Bond immediately after its acquisition by such owner exceeds such owner's adjusted tax basis in such 2026B Bond. Subject to a de minimis exception, such market discount provisions generally require an owner of a 2026B Bond which is acquired by such owner at a market discount to treat any payment on, or any gain recognized on the sale, exchange, redemption or other disposition of, such 2026B Bond as ordinary income to the extent of any "accrued market discount" on such 2026B Bond which has not previously been included in income at the time of sale or other disposition by such owner. In general, any market discount on a 2026B Bond will be treated as accruing on a straight-line basis over the term of such 2026B Bond, or, at the election of the owner of such 2026B Bond, under a constant yield method. Prospective purchasers of 2026B Bonds should consult their own tax advisors as to the tax consequences of acquiring, owning or disposing of, and the accrual or receipt of interest on, 2026B Bonds acquired at a market discount.

## **Premium**

If a 2026B Bond is purchased by an owner at a premium, the owner may be entitled to amortize such premium as an offset to interest income (with a corresponding reduction in the owner's basis) under a constant yield method over the term of the 2026B Bond if an election under Section 171 of the Code is made or is previously in effect.

## **Sale of the 2026B Bonds**

If a 2026B Bond is sold or redeemed, the seller will recognize gain or loss equal to the difference between the amount realized on the sale or redemption and the seller's adjusted basis in the 2026B Bond. Such adjusted basis generally will equal the cost of the 2026B Bond to the seller, increased by any market discount included in the seller's gross income and decreased by any payments on the 2026B Bond. Except with respect to market discount, gain or loss recognized on a sale, exchange or prepayment of a 2026B Bond will generally give rise to capital gain or loss if the 2026B Bond is held as a capital asset and will be long-term if the holding period is more than one year. The holding period analysis may be affected by the determination of whether the 2026B Bonds are treated as a single debt instrument or a series of debt instruments and prospective purchasers and owners are especially encouraged to consult with their own tax advisers on this subject.

## **Foreign Investors**

Generally, payments of interest on the 2026B Bonds to an owner of 2026B Bonds that is a nonresident alien individual, foreign corporation or other non-United States person (a "foreign person") not engaged in a trade or business within the United States will not be subject to federal income or withholding tax if such foreign person complies with certain identification requirements (including the delivery of a statement, signed by such owner under penalty of perjury, certifying that such owner is a foreign person and providing the name and address of such owner). Foreign investors should consult their own tax advisors regarding the potential imposition of withholding taxes. The summary herein assumes that the owners of the 2026B Bonds are not foreign persons. Special rules may apply to foreign persons with respect to the information reporting requirements and withholding taxes and foreign persons should consult their tax advisors with respect to the application of such reporting requirements and withholding taxes.

## **Information Reporting and Backup Withholding**

Payments on the 2026B Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and the applicable Treasury Regulations issued thereunder, a non-corporate U.S. holder of the 2026B Bonds may be subject to

backup withholding at the then-applicable withholding rate with respect to “reportable payments,” which include interest paid on the 2026B Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the 2026B Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the Internal Revenue Service notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code, or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. holder’s federal income tax liability, if any, provided that the required information is timely furnished to the Internal Revenue Service. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### **State Tax Treatment of Interest on the 2026B Bonds**

Bond Counsel is further of the opinion that, under existing law, interest on the 2026B Bonds is exempt from State of North Carolina income taxation.

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

### **MUNICIPAL ADVISOR**

Davenport & Company LLC, Charlotte, North Carolina has acted as municipal advisor to the County in connection with the issuance of the Bonds.

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## UNDERWRITING

The underwriters of the 2026A Bonds are \_\_\_\_\_.<sup>1</sup>

The underwriters of the 2026A Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026A Bonds. If all of the 2026A Bonds are sold at the public offering yields hereinabove set forth, the underwriters anticipate total underwriters' discount of \$\_\_\_\_\_.<sup>1</sup> The public offering prices or yields of the 2026A Bonds may be changed from time to time by the underwriters.

The underwriters of the 2026B Bonds are \_\_\_\_\_.<sup>2</sup>

The underwriters of the 2026B Bonds have jointly and severally agreed, subject to certain conditions, to purchase all but not less than all of the 2026B Bonds. If all of the 2026B Bonds are sold at the public offering yields hereinabove set forth, the underwriters anticipate total underwriters' discount of \$\_\_\_\_\_.<sup>2</sup> The public offering prices or yields of the 2026B Bonds may be changed from time to time by the underwriters.

## MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact.

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

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<sup>1</sup>Information provided by underwriters of the 2026A Bonds.

<sup>2</sup>Information provided by underwriters of the 2026B Bonds.

## APPENDIX A

### INFORMATION RELATING TO THE COUNTY

#### General Description and Demographic Characteristics

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

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

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

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

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

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
269,948	272,485	274,239	277,274	279,533

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

<u>Year</u>	<u>County</u>	<u>State</u>
2020	\$53,068	\$51,816
2021	59,315	57,233
2022	62,220	59,092
2023	66,776	62,233
2024	70,623	65,634

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

#### Impact of Hurricane Helene

On September 26, 2024, Hurricane Helene made landfall near Perry, Florida as a Category 4 hurricane with winds reaching 140 miles per hour. Hurricane Helene’s path continued north, resulting in significant damage to property and infrastructure in Florida and parts of Georgia, South Carolina, North Carolina and Tennessee. By the time Hurricane Helene reached western North Carolina on September 27, 2024, it had been downgraded to a tropical storm, but Hurricane Helene’s historic rainfall, heavy winds and tornadoes, together with rain that had fallen in preceding days, caused rivers to overflow and produced flash flooding, road washouts and landslides.

The County suffered elevated environmental impacts from Hurricane Helene, with the most significant impact of the storm being the level of rainfall and the resulting flooding. The hurricane-related

flooding caused property damage in the County, including to homes and commercial buildings, roads, bridges, powerlines and waterlines. Based upon data received from FEMA in March 2025, a total of 11,725 residential properties had a FEMA Verified Loss, which is about 8.55% of total residential properties in the County. The damage to infrastructure initially left thousands of people and businesses without potable water, electricity or internet, and the large amount of debris resulting from the storm greatly increased the need for debris removal.

The County also experienced substantial economic impacts from Hurricane Helene. Several of the County's popular tourist attractions were damaged, and tourism was down during the Fiscal Year ended June 30, 2025 from prior years. In October 2024, during the County's peak tourist season, County unemployment increased to 10.8% from 2.6% in the preceding month, but had recovered to 6.0% as of December 2024. County retail sales for October 2024 dropped by approximately 17% compared to October 2023. During the Fiscal Year ended June 30, 2025, the County experienced markedly higher joblessness than pre-storm levels; June 2025 figures showed unemployment in the mid-4% range (around 4.5% in June 2025), noticeably above the State's average (~3.7% in June 2025). The Asheville MSA followed a similar pattern. Asheville and the County rely heavily on leisure and hospitality. Reports and chamber indicators show tourism demand dropped after Hurricane Helene and remained below typical seasonal patterns through much of the Fiscal Year ended June 30, 2025, which affected lodging tax, retail sales, restaurants, and short-term rental revenues. Several local surveys flagged business interruptions, reduced occupancy and lower out-of-region visitation in the months after Hurricane Helene.

Hurricane Helene also damaged sections of Interstate 40. One lane in each direction was reopened on March 1, 2025.

The Biltmore Village and River Arts District areas in Asheville were two of the most hard-hit areas in the County, but many of the buildings in those areas are already in the process of being reactivated and owners are working on solutions to open for business. By February 2025, 834 out of 901 hurricane-related permit applications were approved, indicating ongoing recovery efforts. The Asheville Regional Airport's "AVL Forward" expansion and improvement project, which broke ground in 2023 and was paused due to the impact of Hurricane Helene, has resumed and is expected to contribute to continued growth in the number of flights and visitors to the airport. The County is working closely with FEMA officials to manage the response to Hurricane Helene, which includes filing for expedited funding and reimbursements, and has elected to utilize the Army Corp of Engineers for debris removal. However, the timeline for full cleanup remains unknown.

As of March 31, 2026, the County has spent approximately \$31 million toward recovery costs, with \$2.2 million obligated for contracts which are due to be paid. FEMA has approved \$37.6 million in public assistance projects, of which the County has received \$17.6 million. Additionally, the County has received \$5.9 million in insurance. The County expects to receive additional reimbursement from FEMA and/or insurance for costs incurred to date. The County expects to continue pursuing funding and reimbursement of funding from federal and State sources for repair and recovery efforts in the County. Currently, the County has no plans to utilize financial reserves due to the receipt and anticipated receipt of State and federal support; however, this may change as damage estimates become clearer or if there are delays in, or unexpected unavailability of, State and federal reimbursements. The County does not expect any adverse impact on its ability to make debt service payments on the 2026 Bonds as a result of Hurricane Helene.

Complete economic and demographic impacts of Hurricane Helene remain uncertain. The County is in contact with representatives from FEMA and North Carolina Emergency Management who have been

working in the County and the surrounding areas. In addition, the County is pursuing a plethora of other competitive and non-competitive grant opportunities. The County's Helene Recovery Plan, a comprehensive five-year strategy developed in partnership with the County's six municipalities, was adopted by the Board of Commissioners on November 18, 2025. The adopted Helene Recovery Plan is based on the input from more than 2,600 community members and establishes a roadmap of 114 projects to address flooding, landslides, infrastructure damage and other significant impacts. It has short-term, medium-term and long-term recovery project goals and is intended to guide recovery, resilience and growth across the County in the wake of Hurricane Helene.

## **Business and Economic Profile**

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

***New and Expanded Businesses.*** The following companies have announced new or expanded business in the County since the beginning of 2021:

In February 2026, Southeastern Container, which provides bottles and pallets to Coca-Cola operations in the United States and Canada, announced plans to invest \$31 million in facility modernization, new technology and equipment at their Enka-Candler facility in the County. The expansion is expected to generate 12 new jobs.

In December 2025, East Fork Pottery announced plans to invest \$2.5 million to expand production operations capabilities. The expansion is expected to generate 40 new jobs and sustain over 125 existing jobs.

In January 2025, Pratt & Whitney, a world leader in design and manufacturing of aircraft engines and auxiliary power units, announced that it will expand its airfoil manufacturing plant in the County. The company's expansion project is expected to create 325 additional jobs and includes an additional investment of \$285 million.

In March 2024, GE Aerospace announced plans to make investments of \$20 million and \$11.3 million at its facilities in Asheville to scale production of military and commercial aircraft engine parts.

In June 2023, Poppy Handcrafted Popcorn announced plans to invest \$4.3 million in new operations in the County. The investment will increase production capacity sixfold for the locally-founded snack maker and more than double the company's existing manufacturing space. The expansion was expected to facilitate the creation of 66 new jobs over five years.

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

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

The largest employers in the County are set forth on the following tables. The following table lists the 10 largest non-manufacturing employers in the County, including governmental entities, as of June 30, 2025:

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

Source: County's Fiscal Year 2025 Annual Comprehensive Financial Report.

The following table lists the 10 largest manufacturing employers in the County as of June 30, 2025:

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

Source: County's Fiscal Year 2025 Annual Comprehensive Financial Report.

<sup>1</sup>Thermo Fisher Scientific announced in January 2026 that it will close its Town of Weaverville facility by the end of 2027, with expected layoffs of 421 positions. Thermo Fisher Scientific's Asheville location, which manufactures other product lines with an estimated employee count between 500-700, will remain open.

Taxable sales for the County during the Fiscal Years ended June 30, 2021 through June 30, 2025, and for a portion of the current Fiscal Year, are shown in the following table:

Fiscal Year Ended June 30	Total Retail Sales	Increase (Decrease) Over Previous Year
2021	\$6,160,933,639	12.2%
2022	7,310,486,077	18.7
2023	7,703,980,426	5.4
2024	7,815,439,159	1.5
2025	7,629,694,659	(2.4) <sup>2</sup>
2026 (8 months) <sup>1</sup>	5,486,640,363	7.8 <sup>3</sup>

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

<sup>1</sup> Taxable sales for the comparable eight-month period ended February 28, 2025 amounted to \$5,088,105,274.

<sup>2</sup> Taxable sales declined in the Fiscal Year ended June 30, 2025 as a result of the impacts of Hurricane Helene. See “—Impact of Hurricane Helene” herein.

<sup>3</sup> Percentage increase is based on the comparable eight-month period ended February 28, 2025.

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

Calendar Year	Residential <sup>1</sup>		Non-residential <sup>2</sup>		Total Value
	Number	Value	Number	Value	
2021	1,284	\$477,545,997	107	\$423,065,403	\$900,611,400
2022	1,095	527,490,145	60	114,711,744	642,201,889
2023	1,001	449,441,684	134	416,340,324	865,782,008
2024 <sup>3</sup>	1,024	483,728,884	135	271,891,261	755,620,145
2025	756	401,166,383	63	128,433,320	529,599,703

Source: Buncombe County Permits and Inspections.

Note: The table above does not include permits issued by Asheville, the Town of Black Mountain or other municipalities within the County.

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

<sup>2</sup> Nonresidential permits exclude additions and alterations.

<sup>3</sup> Exclude emergency repair and addition permits issued as a result of Hurricane Helene.

**Banking.** A number of banking institutions have a presence in the County, including Bank of America, N.A.; Black Mountain Savings Bank, S.S.B.; Fifth Third Bank; First Bank; First Horizon Bank; First-Citizens Bank & Trust Company; Home Trust Bank; Pinnacle Bank; PNC Bank, N.A.; ServisFirst Bank, TD Bank, N.A.; The Park National Bank; Truist Bank; TruPoint Bank; Wells Fargo Bank, N.A.; and Woodforest National Bank.

**Healthcare.** The healthcare and social assistance industry is another significant source of jobs in the Asheville Metropolitan Statistical Area (“MSA”), which includes the County, Haywood County, Henderson County and Madison County. In 2024, the healthcare and social assistance industry in the MSA employed approximately 35,263 people, which equals approximately 19.3% of all private employment. Local wages within the healthcare industry are approximately 1.8% above the State industry average. The upward trend in the healthcare industry is anticipated to continue because of the aging population in the

area, a high concentration of healthcare facilities and a healthcare spending rate higher than the national average. See “**THE COUNTY – Human Services**” herein.

Mission Health, based in Asheville, which was purchased by HCA Healthcare, Inc. in 2019, is the primary referral center for western North Carolina and the adjoining region. Formerly a non-profit, Mission Health is the County’s top taxpayer (as of December 31, 2024). Mission Health’s flagship hospital, Mission Hospital (“*Mission*”), is the largest employer west of Charlotte with over 8,000 employees including over 2,300 registered nurses. Mission is licensed for 815 beds on its two adjoining campuses in Asheville. The medical staff has more than 1,000 physicians and is certified in more than 50 specialties and subspecialties. Mission includes the following Centers of Excellence: Cancer, Heart, Neurosciences, Orthopedics, Trauma, Women’s Health, and Mission Children’s Hospital. Mission Health also has 14 member hospitals in North Carolina. Mission’s facilities include a modern 630,000 square-foot facility in the County that houses a 94-bed emergency department and 220-bed acute and critical care facility. Mission is the regional referral center for tertiary and quaternary care and the region’s only Level II trauma center. Mission has been rooted in the community since 1885. Mission Children’s Hospital is the region’s only Level III Neonatal Intensive Care Unit (NICU) and provides 30 pediatric subspecialists.

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

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

AdventHealth broke ground in March 2026 on a new hospital in the Town of Weaverville. The first phase of the hospital is expected to open by the end of 2028, and the hospital is expected to generate 1,200 to 1,600 jobs.

The Mountain Area Health Education Center (“*MAHEC*”) was formed as part of a statewide network of health education programs to provide healthcare training and continuing education for practicing healthcare personnel in western North Carolina. MAHEC is a non-profit foundation formed by representatives from the Buncombe County Medical Society and Mission Hospitals in 1974. Activities of the MAHEC program include a family practice residency, continuing medical education for practicing physicians and other healthcare professionals, a family nurse practitioner program, pharmacy education, and public health education. In addition, there are programs for continuing education in all health fields.

MAHEC is funded by State and federal revenues, local support and generated fees. As of June 2023, more than 700 physicians and dentists have graduated from MAHEC. More than 80% of MAHEC graduates in North Carolina practice locally in western North Carolina.

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

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

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

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

***Manufacturing and Distribution.*** Manufacturing is a strong segment of the County’s economy. The diverse products manufactured include food, craft beer, textiles, apparel, wood products, printing and publishing, rubber and plastics products, fabricated metal products, industrial machinery and equipment, electrical equipment, and transportation equipment. Wholesalers located in the MSA account for a significant portion of the wholesale sales volume in the 16-county western North Carolina area. Sales include those to retail markets of groceries, motor vehicles, and a wide variety of non-durable goods, including machinery, lumber, electrical goods, and construction materials to manufacturers and construction companies. Wholesale trade provided employment for approximately 5,398 people in 2024. As a regional

urban center, the MSA also serves as a retail trade center for western North Carolina employing approximately 23,591 people in 2024. Wholesale and retail trade, combined, provided approximately 17.9% of total employment in the MSA in 2024.

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

**Tourism.** Activities and businesses supporting tourism constitute one of the largest sectors of Buncombe County's economy, representing 20% of the County's total annual gross domestic product. The County attracts nearly 14 million visitors annually, including 5 million overnight guests. Visitors are primarily drawn to the County's mountain scenery, Asheville's vibrant downtown, and world-famous Biltmore Estate. Total lodging sales grew 35% from the Fiscal Year ended June 30, 2021 to the Fiscal Year ended June 30, 2024. In the Fiscal Year ended June 30, 2025, which was impacted by Hurricane Helene, lodging sales declined approximately 22%. Year to date trends in the Fiscal Year ending June 30, 2026 indicate a recovery in lodging sales, currently 19% above the previous Fiscal Year as of January 2026. Annual hotel occupancy was 67.4% in the Fiscal Year ended June 30, 2024, and 66.1% the Fiscal Year ended June 30, 2025. The County has attracted significant hotel development in the last decade.

<u>Fiscal Year</u>	<u>Lodging Sales (in millions)</u>	<u>Hotel Rooms Sold (in millions)</u>	<u>Vacation Rental Room Nights (in millions)</u>
2022	\$642	2.29	1.77
2023	633	2.28	1.75
2024	629	2.30	1.90
2025	490	2.25	1.69

Source: Explore Asheville Convention & Visitors Bureau.

The County levies a 6% occupancy tax on short-term lodging rentals to be used for tourism promotion and tourism-related capital projects within the County. Occupancy tax collections during the Fiscal Years ended June 30, 2021 through June 30, 2025, and for a portion of the current Fiscal Year, are shown in the following table.

<u>Fiscal Year</u>	<u>Occupancy Tax Collections</u>	<u>Increase (Decrease) Over Previous Year</u>
2021	\$27,242,169	31.1%
2022	36,924,056	35.3
2023	36,448,238	(1.3)
2024	35,972,902	(1.3)
2025	27,767,225	(22.8) <sup>2</sup>
2026 (8 months) <sup>1</sup>	21,194,487	21.1 <sup>3</sup>

Source: County's Fiscal Year 2021-2025 Annual Comprehensive Financial Reports; County Finance Department.

<sup>1</sup> Taxable sales for the comparable eight-month period ended February 28, 2025 amounted to \$17,498,836.

<sup>2</sup> Taxable sales declined in the Fiscal Year ended June 30, 2025 as a result of the impacts of Hurricane Helene. See "—Impact of Hurricane Helene" herein.

<sup>3</sup> Percentage increase is based on the comparable eight-month period ended February 28, 2025.

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

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

Biltmore is a private attraction located in the County, which draws approximately 1.4 million visitors annually. The 250-room Biltmore House, the largest private residence in the United States, was built in the late 1800’s and has the most visitors of all historic buildings in the State. In addition to the Biltmore House, the estate contains two hotels, a winery, six restaurants, a licensed products division, and a number of outdoor activities. The 8,000-acre property was impacted very little by Hurricane Helene in September 2024; however, the low-lying entrance to the estate experienced flooding and is currently undergoing extensive repairs. Biltmore re-opened the estate on November 2, 2024.

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

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

**Employment**

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

<u>Year</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>July</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
2021	6.0%	5.8%	5.2%	4.7%	4.7%	5.0%	4.5%	4.3%	3.5%	3.5%	3.3%	2.8%
2022	3.5	3.4	3.1	2.8	3.1	3.4	3.3	3.4	2.8	3.1	3.0	2.6
2023	3.1	3.2	2.9	2.4	2.8	2.9	2.9	3.2	2.7	2.8	2.8	2.6
2024	3.0	3.2	3.0	2.6	2.8	3.2	3.2	3.2	2.6	10.8 <sup>1</sup>	7.5 <sup>1</sup>	6.0 <sup>1</sup>
2025	7.0 <sup>1</sup>	6.8	5.5	4.8	4.6	4.6	4.5	4.4	3.8	N/A <sup>2</sup>	3.9	3.3
2026	4.0	--	--	--	--	--	--	--	--	--	--	--

<sup>1</sup> Aftermath of Hurricane Helene. See “Impact of Hurricane Helene” herein.

<sup>2</sup> Data not collected in October 2025 due to federal government shutdown from October 1 to November 12, 2025. Source: North Carolina Department of Commerce, Labor and Economic Analysis Division.

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

<u>Year</u>	<u>County</u>	<u>State</u>	<u>United States</u>
2021	4.4%	4.8%	5.3%
2022	3.1	3.7	3.6
2023	2.9	3.5	3.6
2024	4.3	3.7	4.0
2025	4.8	3.8	4.3

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

## **Government and Major Services**

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

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

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

**Education.** The County has two public school systems: (1) the Asheville City Administrative Unit which serves approximately 16% of the students in the County and (2) the Buncombe County Administrative Unit which serves the remaining students in the County. The Asheville City Administrative Unit is operated and administered by a Board of Education whose members are appointed by the Asheville City Council. The Buncombe County Administrative Unit is operated and administered by an elected Board of Education. Each board appoints a school superintendent. State law provides a basic minimum educational program for each school administrative unit or district which in turn is supplemented by the County and federal governments. The minimum program provides funds for operational costs only. The building of public school facilities has also been a joint State and County effort. Local financial support is provided by the County for capital and operating expenses not provided by the State. Each board of education submits its approved budget to the Board of Commissioners. Based on these budgets, the Board of Commissioners determines the amount of County revenue to be appropriated to each school administrative unit for the year.

The Asheville City Board of Education is authorized to request the Board of Commissioners to levy a supplemental tax not to exceed \$.25 per \$100 valuation for supplemental operating expenses. At the

request of the Asheville City Board of Education, the Board of Commissioners has levied an ad valorem tax which is currently \$0.11 per \$100 valuation on all property within the Asheville City School District.

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

BUNCOMBE COUNTY ADMINISTRATIVE UNIT

School Year	Elementary Grades K-5		Elementary Grades 5-6		Intermediate Grades 6-8		Secondary Grades 9-12		Early College		Virtual Academy Grades K-12		Total
	Number	ADM	Number	ADM	Number	ADM	Number	ADM	Number	ADM	Number	ADM	
2021-22	23	8,578	4	2,319	7	3,779	8	6,778	2	315	1	315	22,061
2022-23	23	8,693	4	2,272	7	3,659	8	6,805	2	324	1	278	22,031
2023-24	23	8,663	4	2,293	7	3,697	8	6,784	2	315	1	290	22,042
2024-25	23	8,673	4	2,355	7	3,735	8	6,657	2	312	1	296	22,028
2025-26	23	8,414	4	2,273	7	3,676	8	6,510	2	286	1	308	21,467

ASHEVILLE CITY ADMINISTRATIVE UNIT

School Year	Grades K-5		Grades 6-8		Grades 9-12		Total
	Number	ADM	Number	ADM	Number	ADM	
2021-22	6	1,797	2	857	2	1,472	4,126
2022-23	5	1,732	2	810	2	1,495	4,037
2023-24	5	1,631	2	764	2	1,505	3,900
2024-25	5	1,628	1	667	2	1,529	3,824
2025-26	5	1,605	1	696	2	1,500	3,801

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

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

The County has 37 non-public schools.

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

The responsibility for financial support of A-B Tech is shared by the State, County and Federal governments. The County has budgeted to contribute \$8.4 million for A-B Tech operating expenses during the Fiscal Year ending June 30, 2026. In 2011, in accordance with North Carolina General Statute § 105-537, Buncombe County voters approved a referendum for a quarter-cent sales and use tax increase that would exclusively fund capital improvement needs of A-B Tech. The revenue from this sales and use tax is projected to generate more than \$130 million by the time it sunsets in 2027. To date, the revenue has funded construction of an educational facility for Allied Health and Workforce Development programs, a conference center, a parking garage, and other capital improvements.

The University of North Carolina at Asheville (“*UNC Asheville*”) is a primarily undergraduate, State supported, liberal arts university which has approximately 3,000 undergraduate, graduate and professional students. It is located about one mile from the center of Asheville on a 365-acre campus. UNC Asheville is a constituent institution of the University of North Carolina system. UNC Asheville is the designated liberal arts institution for the UNC system and was named one of the nation’s top ten public liberal arts universities by *U.S. News and World Reports* in 2026. UNC Asheville offers more than 60 majors, minors, certificates, and concentrations and one graduate program. Twenty-nine majors lead to the Bachelor of Arts, Bachelor of Fine Arts or Bachelor of Science degrees as well as a Master of Science in environmental resilience degree. Founded in 1927, UNC Asheville is one of the County’s intellectual and creative hubs, creating jobs, educating citizens and attracting visitors, residents and new students. In addition to its educational facilities, UNC Asheville contributes to the cultural life of the community by offering NCAA Division I athletics and the Osher Lifelong Learning Institute which extends learning opportunities to area residents.

Warren Wilson College, located in the eastern part of the County, is a four-year, private, coeducational college accredited by the Southern Association of Colleges and Schools with an enrollment of approximately 797 students, including graduate and undergraduate students. Warren Wilson College’s strong environmental and international emphases enhance an academic program that integrates academics, work and service.

Montreat College, located in the eastern part of the County, is a four-year, private, liberal arts college with approximately 929 full-time equivalent students from more than 30 states and over 20 foreign countries, the highest in the college’s 110-year history. Students attend Montreat College at campuses within the County and at satellite campuses located outside of the County. It offers associate’s, bachelor’s and master’s degrees.

**Transportation.** The County’s air transportation needs are served by the Asheville Regional Airport (the “*Airport*”). The Airport is operated by the Greater Asheville Regional Airport Authority (the “*Airport Authority*”), established in 2012 pursuant to State statute. The board members of the Airport Authority are appointed as follows: two appointments by the Asheville City Council, two appointments by the Board of Commissioners, two appointments by the Henderson County Board of Commissioners and one regional at-large appointment by the other six board members. The “AVL Forward” expansion and improvement project, a \$400 million investment supported by State and federal grants, airport revenue bonds and airport revenue, includes the construction of a new terminal that will more than double the Airport’s size. The first phase of the terminal expansion opened in June 2025, and the second phase is expected to open by 2027.

No County funds are appropriated for the Airport.

Airlines serving the Airport include Allegiant Air, American Airlines, Delta Air Lines, JetBlue, Sun Country and United Airlines, with 27 nonstop destinations. The following chart sets forth the annual number of passengers at the Airport from 2021 through 2025:

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
1,428,266	1,838,793	2,246,411	2,174,125	2,240,877

Source: Asheville Regional Airport.

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

Major expansion, maintenance, and improvements to primary and secondary highways within the County are primarily the responsibility of the State. Each municipality within the County bears the primary responsibility for local street systems. The County participates in the Transportation Advisory Committee, a local advisory group, which submits recommendations to the State for funding priorities within the Asheville Urban Transportation Area. By State law, the County has no financial obligation with respect to the construction and maintenance of roads.

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

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

The County is served by Norfolk Southern Railway, which provides freight service, and Amtrak service is available within an hour drive of Asheville.

## **Human Services**

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

As part of its public health assurance role, Health and Human Services contracts with Western North Carolina Community Health Services (“WNCCHS”), a local Federally Qualified Community Health Center, for provisions of adult and child dental care and primary care services. This partnership increased access to these services for County residents and leveraged valuable County resources in order to assure primary care for thousands of additional County residents.

Of the \$23,991,303 budgeted for public health services for the Fiscal Year ended June 30, 2025, \$14,238,120 was provided by the County and the remainder was provided by fees collected by the County Health Department and by State and federal sources. Of the \$24,314,912 budgeted for public health services

for the Fiscal Year ending June 30, 2026, \$15,780,022 will be provided by the County and the remainder will be provided by fees collected by the County Health Department and by State and federal sources.

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

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

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

Administration of these programs assures strategic management and support, seeks to maximize federal, State and miscellaneous revenues, fosters integration across Health and Human Services, and seeks collaboration with other human services agencies in the community. Decisions are made with the goal of maximizing the department’s effectiveness and efficiency in order to ensure the best use of resources. Of the \$70,223,143 budgeted for social services programs for the Fiscal Year ended June 30, 2025, \$28,290,023 was provided by the County. Of the \$70,603,596 budgeted for social services programs for the Fiscal Year ending June 30, 2026, \$33,487,637 will be provided by the County.

***Mental Health Programs.*** Vaya Health (“*Vaya*”), a public managed care organization in which the County participates, was established in 2013 and now serves a 32-county area. The County population comprises less than 15% of the 32-county population. The range of services managed by Vaya (through private providers) is comprehensive, ranging from prevention, treatment and crisis services related to mental health, substance use, intellectual/developmental delays or traumatic brain injuries for individuals

with Medicaid or without insurance. The County contributes \$600,000 annually to the operation of Vaya, specifically for services designated by the County.

### **Public Service Enterprises**

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

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

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

The District owns, operates and maintains a 40 million gallons per day (“*MGD*”) wastewater treatment plant to treat raw sewage and industrial wastewaters collected in an extensive network (approximately 1,100 miles) of collector sewers currently owned, operated and maintained by the District pursuant to the consolidation agreements signed on July 2, 1990. Average plant flow currently is approximately 21.3 MGD.

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

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

***Solid Waste Disposal Service.*** Solid waste collection is provided by the individual municipalities within their respective corporate limits and by independent private franchised haulers in the unincorporated portions of the County. The landfill consists of 10 separate disposal cells being constructed sequentially over the estimated 30-year life of the facility, with current activity in the recently completed seventh cell.

The facility includes a Subtitle D lined municipal solid waste landfill disposal area, and a landfill gas-to-energy facility that supplies electricity to 1,100 homes per year, a Construction and Demolition landfill, a yard waste mulching facility, a convenience center for residential waste disposal and recycling, a household hazardous waste recycling facility for electronics, televisions, fluorescent light bulbs, paint and pesticides, and a drop-off recycling area for white goods and tires.

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

Buncombe County Parks & Recreation manages and operates 20 park locations across the County that total almost 553 acres. These parks include seven river parks, along the French Broad River, one nature preserve, five outdoor pools, three large community parks and four additional parks with playgrounds, baseball/softball fields, soccer fields and multipurpose fields. Lake Julian Park offers boating, fishing, disc golf course, two playgrounds, six reservable picnic shelters, a ¼ mile paved walking trail and kayak and sailboat storage. Buncombe County Sports Park includes eight competition soccer fields, three of which are synthetic turf with field lighting, a large picnic shelter, playground, bocce ball courts, sand volleyball courts, disc golf course, ½ mile walking trail around the park, dog park, multipurpose field, community garden and orchard, and houses a local nonprofit tree nursery. Charles D. Owen Park was completely flooded due to Hurricane Helene and is temporarily closed, with reopening expected in 2028. Collier Cove Nature Preserve is 29 acres of passive recreation property with approximately two miles of steep, strenuous hiking trails. Due to landslides after Hurricane Helene, some trails are closed.

The County budget included \$2,656,137 to support these facilities for the Fiscal Year ending June 30, 2026. In addition to the County's efforts, recreational facilities are provided by Asheville, the towns of Black Mountain and Woodfin and other municipalities.

The County partners with over 30 community clubs, youth sports organizations and other non-profits throughout the County to enhance health, wellness and recreational opportunities through the management of our Parks, Greenway & Recreation Community Recreation Grant program.

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

## **Debt Information**

### LEGAL DEBT LIMIT

In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, the County estimates it has the statutory capacity to incur additional net debt of \$3,841,536,000 as of June 30, 2025.

## OUTSTANDING GENERAL OBLIGATION DEBT

General Obligation Bonds	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
Refunding Bonds	\$12,000,000	\$ 9,600,000	\$7,200,000	\$ 4,800,000	2,400,000
School Bonds	877,000	404,000	--	--	--
Housing	--	--	--	14,730,000	13,990,000
Total G.O. Bonds <sup>1</sup>	\$12,877,000	\$10,004,000	\$7,200,000	\$19,530,000	\$16,390,000

<sup>1</sup> Excludes unamortized premiums.

Note: Does not include the County's General Obligation Bonds, Series 2026A or Taxable General Obligation Bonds, Series 2026B (together, the "2026 GOB"), expected to be issued in the aggregate par amount of \$32,290,000 (preliminary, subject to change) on May 27, 2026.

## GENERAL OBLIGATION DEBT RATIOS

At July 1	Total Outstanding GO Debt	Assessed Valuation	Total GO Debt to Assessed Valuation	Population <sup>1</sup>	Total GO Debt Per Capita
2021	\$12,877,000	\$41,314,696,864	.03%	272,485	\$47.41
2022	10,004,000	48,420,644,688	.02	274,239	36.59
2023	7,200,000	49,897,714,778	.01	277,274	25.98
2024	19,530,000	51,584,981,619	.04	279,533	70.49
2025	16,390,000	52,914,825,960	.03	279,533 <sup>2</sup>	58.63
After Issuance of 2026 GOB	48,680,000 <sup>3</sup>	52,914,825,960	.09	279,533 <sup>2</sup>	174.15

<sup>1</sup> Estimate of the North Carolina Office of State Budget and Management – State Demographer.

<sup>2</sup> 2024 estimated population.

<sup>3</sup> Preliminary; subject to change.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS AND MATURITY SCHEDULE

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 3,140,000	\$ 782,993	\$ 3,922,993
2027	740,000	718,193	1,458,193
2028	740,000	673,793	1,413,793
2029	740,000	629,393	1,369,393
2030	740,000	584,993	1,324,993
2031	735,000	540,593	1,275,593
2032	735,000	496,493	1,231,493
2033	735,000	452,393	1,187,393
2034	735,000	408,293	1,143,293
2035	735,000	364,193	1,099,193
2036	735,000	328,545	1,063,545
2037	735,000	292,530	1,027,530
2038	735,000	256,148	991,147
2039	735,000	219,735	954,765
2040	735,000	183,383	918,382
2041	735,000	147,000	882,000
2042	735,000	110,250	845,250
2043	735,000	73,500	808,500
2044	<u>735,000</u>	<u>36,750</u>	<u>771,750</u>
Total	\$16,390,000	\$7,299,195	\$23,689,195

Note: Does not include the 2026 GOB expected to be issued in the aggregate par amount of \$32,290,000 on May 27, 2026.

Note: Totals may not foot due to rounding.

GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

<u>Purpose</u>	<u>Date Approved</u>	<u>Bonds Authorized and Unissued</u>	<u>2026 GOB</u>	<u>Balance</u>
Housing	11/8/2022	\$25,270,000	\$11,230,000 <sup>1</sup>	\$14,040,000
Open Space	11/8/2022	<u>30,000,000</u>	<u>21,060,000<sup>1</sup></u>	<u>8,940,000</u>
		\$55,270,000	\$32,290,000 <sup>1</sup>	\$22,980,000

<sup>1</sup> Preliminary; subject to change.

GENERAL OBLIGATION DEBT INFORMATION FOR UNDERLYING UNITS AS OF JUNE 30, 2025

Unit	2024 Population <sup>1</sup>	Assessed Valuation	Tax Rate Per \$100	General Obligation Debt <sup>2</sup>		Total GO Debt Per Capita
				Utility	Other	
Asheville	98,270	\$20,790,208,383	\$.4093	\$ --	\$61,245,000	\$623.23
Weaverville	5,116	1,297,231,097	.3500	--	948,000	185.30
Woodfin	8,157	1,373,373,286	.3300	--	3,500,000	429.08

<sup>1</sup> Estimate of the North Carolina Office of State Budget and Management.

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

OTHER LONG-TERM COMMITMENTS

**Other Long-Term Commitments.** The majority of the County’s debt consists of installment financing contracts and related limited obligation bonds. At June 30, 2025, the County had \$363,861,303 in principal amount of non-general obligation long-term debt (which total included the 2025 Contract but does not include the Limited Obligation Bonds, Series 2026). See the table “**Combined Debt Service Requirements as of June 30, 2025**” below. A table showing the amount of principal and interest required to be paid under the Contract with respect to the 2026 Bonds and the Prior Bonds is shown under “**INSTALLMENT PAYMENT SCHEDULE**” in the Official Statement.

**Combined Debt Service Requirements as of June 30, 2025<sup>1</sup>.**

Fiscal Year	Existing Other	Enterprise	Aggregate
	Long-Term Obligations <sup>2,3</sup>	Debt <sup>3</sup>	Total Debt Service <sup>4</sup>
	Principal & Interest	Principal & Interest	
2026	\$44,082,241	\$3,280,793	\$47,363,034
2027	47,971,928	3,279,978	51,251,906
2028	47,876,356	3,280,239	51,156,595
2029	47,960,385	462,795	48,423,180
2030	46,993,125	463,125	47,456,250
2031	35,512,204	75,000	35,587,204
2032	33,605,350	0	33,605,350
2033	29,549,303	0	29,549,303
2034	28,734,116	0	28,734,116
2035	19,219,878	0	19,219,878
2036	13,444,023	0	13,444,023
2037	13,110,511	0	13,110,511
2038	8,427,956	0	8,427,956
2039	5,408,600	0	5,408,600
2040	5,216,550	0	5,216,550
2041	3,534,500	0	3,534,500
2042	3,387,250	0	3,387,250
2043	3,245,000	0	3,245,000
2044	<u>3,097,500</u>	<u>0</u>	<u>3,097,500</u>
Total	\$440,376,778	\$10,841,930	\$451,218,708

<sup>1</sup> Excludes (i) general obligation debt, (ii) the Limited Obligation Bonds, Series 2026, and (iii) a cashflow loan made by the State to the County on August 20, 2025 in the principal amount of \$5,418,432 bearing interest at 0% and maturing on June 30, 2030.

<sup>2</sup> Includes obligations expected to be paid from the County's Governmental Funds.

<sup>3</sup> Paid from County's Solid Waste Fund.

<sup>4</sup> Totals may not foot due to rounding.

**Debt Outlook.** The County prepares an annual Capital Improvements Plan which projects capital needs for seven years into the future and budgets funds either for direct purchase or debt service accordingly. Over the next seven years, the County expects to finance County government projects and renovations of various Asheville School District and Buncombe County School District facilities through a financing approach that may include the issuance of limited obligation bonds. This is part of the School Capital Fund Commission's approved list of projects that will be funded through Article 39 sales tax revenues.

The County expects to issue the 2026 GOB in the aggregate principal amount of \$32,290,000 on May 27, 2026 to finance the construction of affordable housing and open space projects. The 2026 GOB represents the second issuance of the County's voter-approved housing bonds and first issuance of the County's voter approved open space bonds, each approved by the voters in November 2022.

## Tax Information

### General Information.

Fiscal Year Ended June 30,	2022	2023	2024	2025
Assessed Valuation:				
Assessment Ratio <sup>1</sup>	100%	100%	100%	100%
Real Property <sup>3</sup>	\$41,774,423,445	\$42,858,787,862	\$44,137,516,794	\$44,943,752,070
Personal Property	2,783,080,683	2,932,950,422	3,166,794,239	3,201,063,242
Public Service Companies <sup>2</sup>	957,424,365	973,156,750	981,198,747	1,025,525,928
Registered Motor Vehicles	<u>2,905,716,195</u>	<u>3,132,819,744</u>	<u>3,299,471,839</u>	<u>3,744,484,720</u>
Total Assessed Valuation	\$48,420,644,688	\$49,897,714,778	\$51,584,981,619	\$52,914,825,960
Tax Rate per \$100	0.488	0.488	0.498	0.518
Levy <sup>4,5</sup>	\$ 236,551,310	\$ 243,686,305	\$ 256,913,810	\$ 275,595,145

Source: County Tax Assessor.

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

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

<sup>3</sup> The most recent revaluation was originally scheduled to be effective January 1, 2025, but was delayed until January 1, 2026 because of the impact of Hurricane Helene.

<sup>4</sup> Levy includes discoveries, releases and abatements.

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

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

Fiscal Year Ended June 30,	2022	2023	2024	2025
School Districts	\$10,913,099	\$11,023,534	\$11,268,880	\$11,491,499
Fire Protection Districts	<u>28,166,738</u>	<u>29,299,354</u>	<u>31,596,600</u>	<u>33,040,828</u>
Total	\$39,079,837	\$40,322,888	\$42,865,480	\$44,532,327

### Tax Collections.

Fiscal Year	Total Levy for Fiscal Year (in thousands)	Total Collections to Date (in thousands)	Percentage of Levy
2021	\$218,891	\$218,114	99.65%
2022	236,637	236,054	99.75
2023	243,686	243,138	99.78
2024	256,914	256,343	99.78
2025	275,595	274,077	99.45

Source: County's Fiscal Year 2025 Annual Comprehensive Financial Report.

Note: All levies and collections in thousands.

***Ten Largest Taxpayers for the Calendar Year Ended December 31, 2024.***

Name	Type of Enterprise	Taxable Assessed Value	Percentage of Total Assessed Value
Mission Hospital LLP	Medical	\$ 896,313,299	1.83%
Progress/Duke Energy	Energy	539,531,314	1.09
Ingles Markets, Inc.	Supermarkets	415,121,718	0.85
Pratt & Whitney	Aircraft Engines	330,604,929	0.67
Raytheon Technologies Corp.	Technology	256,545,000	0.52
Biltmore Company	Tourism	149,873,666	0.31
GPI Resort Holdings LLC	Hotels/Convention Services	146,281,000	0.30
New Belgium Brewing Co. Inc.	Brewing Company	124,747,832	0.25
Southeastern Container Inc.	Shipping	118,960,607	0.24
Borgwarner Turbo Systems	Automotive Supplier	<u>101,789,390</u>	<u>0.21</u>
Totals		<u>\$3,079,768,755</u>	<u>5.82%</u>

Source: County's Fiscal Year 2025 Annual Comprehensive Financial Report.

**Budget Commentary**

The total operating budget for the County in the Fiscal Year ending June 30, 2026 is \$622,517,798. The General Fund budget for the Fiscal Year ending June 30, 2026 totals \$433,096,618, a decrease of 2.5% from the Fiscal Year ended June 30, 2025 General Fund amended budget. General fund revenues are derived primarily from three sources: property tax, sales tax, and intergovernmental transfers (primarily for human services). The expenditures for the County's core businesses of education, human services and public safety total \$316,772,144, or 73% of the budget for the Fiscal Year ending June 30, 2026. County programs are funded by property taxes, fees, intergovernmental revenues, sales tax and fund balance which in combination total 89% of revenues.

The budget for the Fiscal Year ending June 30, 2026 includes increased investment in support of teacher and staff salaries in the County school systems as well as City of Asheville school systems. In total, the funding commitment for K-12 partners is \$113,168,851. Asheville-Buncombe County Technical Community College will also receive \$8,396,570 in the Fiscal Year ending June 30, 2026.

The tax rate for Fiscal Year ending June 30, 2026 is set at 54.66 cents per \$100 of property value. The tax rate represents a 2.9 cent increase from the Fiscal Year ended June 30, 2025.

The budget for the Fiscal Year ending June 30, 2026 represents the County's commitment to a structurally balanced budget. With sound financial and budget management, the County expects to save enough to meet its policy of maintaining a fund balance equal to at least 15% of General Fund expenditures.

**Pension Plans**

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

***North Carolina Local Governmental Employees' Retirement System.*** The North Carolina Local Governmental Employees' Retirement System (the "System") is a service agency administered through a

board of trustees by the State for public employees of counties, cities, boards, commissions and other similar governmental entities. While the State Treasurer is the custodian of System funds, administrative costs are borne by the participating employer governmental entities. The State makes no contributions to the System.

The System provides, on a uniform System wide basis, retirement and, at each employer's option, death benefits from contributions made by employers and employees. Employee members contribute 6% of their individual compensation. Employer contribution rates are set periodically and affirmed annually by the System's Board of Trustees. The County's contractually required contribution rate for the Fiscal Year ended June 30, 2025 was 15.04% of compensation for law enforcement officers and 13.63% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$18,398,785 for the Fiscal Year ended June 30, 2025.

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

For information concerning the County's participation in the North Carolina Local Governmental Employees' Retirement System and the Supplemental Retirement Income Plan of North Carolina see the Notes to the County's Audited Financial Statements in *Appendix D* hereto.

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

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

At June 30, 2025, the County's Separation Allowance was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability ("*UAAL*") was \$9,370,724. The UAAL was measured as of December 31, 2024, based on the most recent actuarial valuation date of December 31, 2024. The covered payroll (annual payroll of active employees covered by the plan) was \$13,597,199, and the ratio of the UAAL to the covered payroll was 68.92%.

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

State statute requires the County to contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. The County contributed \$1,299,596 for the Fiscal Year ended June 30, 2025.

**Supplemental Retirement Income Plan for Non-Law Enforcement Officers 401(k) Plan.** The County contributes to the Supplemental Retirement Income Plan of North Carolina, often referred to as the State's 401(k) Plan, a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. In addition, the employees may elect to make voluntary contributions to the plan. The County contributed \$8,523,428 for the Fiscal Year ended June 30, 2025.

**Register of Deeds' Supplemental Pension Fund.** The County also contributes to the Register of Deeds' Supplemental Pension Fund (the "*Fund*"), a noncontributory, defined contribution plan administered by the North Carolina Department of State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. The Register of Deeds' Supplemental Pension Fund is included in the ACFR for the State. On a monthly basis, the County remits to the Department of State Treasurer an amount equal to 1.5% of the monthly receipts collected pursuant to North Carolina Statute.

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

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

It is the intent of the Board of Commissioners to fully or partially fund the actuarially determined contribution of the employer ("*ADC*") when possible, with determinations made on an annual basis. The ADC for the Fiscal Year ended June 30, 2025 was \$6,391,165 based on the actuarial valuation dated June 30, 2024. For the Fiscal Year ended June 30, 2025, the County contributed \$6,663,764 or 15.26% of annual covered payroll. The County obtains healthcare coverage through a self-insured health insurance plan. There were no contributions made by employees, except for dependent coverage. The County's obligation to contribute to the OPEB Plan is established and may be amended by the Board of Commissioners.

As of June 30, 2025, the most recent actuarial valuation date, the County's plan was 44.49% funded. The actuarial accrued liability for benefits was \$122,768,062, and the actuarial value of assets was \$54,618,564, resulting in a UAAL of \$68,149,498. The covered payroll (annual payroll of active employees covered by the plan) was \$43,656,126, and the ratio of UAAL to the covered payroll was 156.11%.

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

**THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

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

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

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

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

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

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

**Management Discussion and Analysis**

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## INTRODUCTION

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

## FINANCIAL HIGHLIGHTS FOR FISCAL YEAR

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- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$15.9 million (deficit net position).
- The County's total net position decreased by \$18.0 million primarily due to governmental activities during the fiscal year. The decrease aligns to the immediate response and short-term recovery efforts following Hurricane Helene which drove significant, unanticipated increases in expenses along with underperformance in key revenue streams. When comparing fiscal year 2025 to the prior year, actual spending toward governmental activities increased approximately \$30.2 million, or 4.9%, while governmental revenues grew only \$17.1 million, or 2.8%.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$235.4 million, a decrease of \$44.4 million from the prior year. Approximately 67.1% of this total amount, or \$158 million, is restricted or nonspendable.
- The County's General Fund increased fund balance by \$1.6 million during the fiscal year.
- At June 30, 2025, available fund balance for the General Fund was \$72.3 million, or 15.6% of total General Fund expenditures and transfers for the fiscal year which is 0.6% higher than the County's minimum fund balance policy. Of the \$1.6 million increase in fund balance, less than \$1 million was added to the available portion of fund balance in the General Fund. \$659,000, or approximately 41% of the increased fund balance, is restricted by State law for uses related to building permits and inspections.
- At June 30, 2025, the total amount of outstanding long-term debt was \$396.5 million, a decrease of \$28.3 million, or 6.7% from the previous fiscal year.
- Under State law, the County is responsible for providing capital funding for the school systems and community college. At the end of the fiscal year, approximately \$213 million or 53.7% of the outstanding debt on the County's financial statements is related to assets to be included in the respective entity's statements.
- The County maintains a Aaa bond rating from Moody's Investor Service, as well as AAA bond ratings from Standard and Poor's Rating Service and the Kroll Bond Rating Agency.
- During fiscal year 2025, the County issued limited obligation bonds to realize savings through the refinancing ("refunding") of previously issued debt. The County also entered one new bank loan for acquisition of vehicles, primarily to support public safety, and capital equipment for use in the solid waste enterprise.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## BASIC FINANCIAL STATEMENTS

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

The next statements (Exhibits 3 through 13) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary funds statements; and 4) the fiduciary funds statements.

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

### Government-wide Financial Statements

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

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

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

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

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

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

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

### Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The County, like all other governmental entities in North Carolina, uses fund accounting to ensure

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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and demonstrate compliance with finance-related legal requirements. The funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The County adopts an annual budget for its General Fund as required by the NC General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board of Commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

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

*Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Buncombe County's own programs. Buncombe County has three fiduciary funds. One is a trust fund for the future health insurance benefits for retirees and the others are custodial funds. Information about these funds can be found on Exhibits 12 and 13 as well as the budgetary statements following the notes.

## Notes to the Financial Statements

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

## Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide health insurance

# MANAGEMENT'S DISCUSSION AND ANALYSIS

benefits to retirees and pension benefits to its law enforcement officers. Required supplementary information can be found after the notes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial condition. The County's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$15.9 million at June 30, 2025. The County's net position decreased by \$18.0 million during the fiscal year due to governmental and business-type activities. The largest portion of Buncombe County's net position (\$119.6 million) is restricted at fiscal year-end. Restricted net position represents County or externally funded resources that are legally restricted in their use based on the original funding source or intended purpose. Within restricted net position, a significant portion is committed for County and public school-related capital projects. Once completed, the capital assets from these projects will be used by the County and school systems to provide services to residents. Figure 1 below provides a summarized and comparative view of the primary government's net position for the prior two fiscal years.

**Figure 1**  
**Net Position (in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 369.0	\$ 425.4	\$ 22.9	\$ 22.9	\$ 391.9	\$ 448.3
Capital assets	236.9	234.0	38.6	41.6	275.5	275.6
<b>Total assets</b>	<b>605.9</b>	<b>659.4</b>	<b>61.5</b>	<b>64.5</b>	<b>667.4</b>	<b>723.9</b>
<b>Total deferred outflows of resources</b>	<b>58.3</b>	<b>64.3</b>	<b>1.1</b>	<b>1.3</b>	<b>59.4</b>	<b>65.6</b>
Long-term liabilities outstanding	582.1	595.9	39.2	39.0	621.3	634.9
Other liabilities	68.6	79.2	1.3	1.3	69.9	80.5
<b>Total liabilities</b>	<b>650.7</b>	<b>675.1</b>	<b>40.5</b>	<b>40.3</b>	<b>691.2</b>	<b>715.4</b>
<b>Total deferred inflows of resources</b>	<b>50.8</b>	<b>64.9</b>	<b>0.5</b>	<b>0.9</b>	<b>51.3</b>	<b>65.8</b>
<b>Net position:</b>						
Net investment in capital assets	83.3	95.7	30.0	30.3	113.3	126.0
Restricted	140.9	131.7	-	-	140.9	131.7
Unrestricted	(261.6)	(243.7)	(8.5)	(5.7)	(270.1)	(249.4)
<b>Total net position (deficit)</b>	<b>\$ (37.4)</b>	<b>\$ (16.3)</b>	<b>\$ 21.5</b>	<b>\$ 24.6</b>	<b>\$ (15.9)</b>	<b>\$ 8.3</b>

Buncombe County's governmental activities have a negative balance of \$249.3 million in unrestricted net position (deficit). The unrestricted net position of governmental activities decreased by \$5.6 million from fiscal year 2024. As with many counties in the State of North Carolina, the County's deficit in unrestricted net position is due to the portion of the County's outstanding debt incurred for the benefit of local educational entities: the Buncombe County Board of Education, the City of Asheville Board of Education, and AB-Tech Community College. Under North Carolina law, the County is responsible for providing capital funding for these institutions. The County has chosen to meet its legal obligation by using a mixture of County funds and debt financing. The assets funded by the County, however, are owned and utilized by these institutions. Since the County, as the issuing government, acquires no capital assets, the County has incurred a liability without a corresponding increase in assets. At the end of the fiscal year, approximately \$213 million or 53.7% of the outstanding debt on the County's financial statements was related to assets included in the financial statements of the school systems and community college.

# MANAGEMENT’S DISCUSSION AND ANALYSIS

In addition to the capital commitments discussed above, a necessary accounting correction impacted the County’s unrestricted net position. During fiscal year 2025, the County discovered that capital assets previously recorded and being depreciated on the government-wide statements belonged to the school districts. As a correction, these assets were removed from the County’s financial statements, contributing to the decrease in total net position.

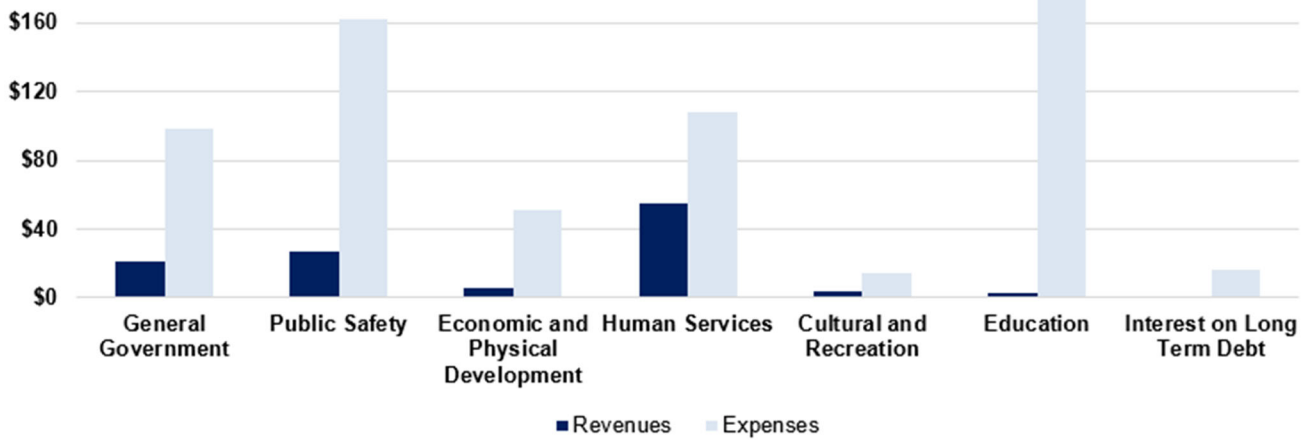
The change in the other categories of net position during the year demonstrates a healthy and expected business cycle for a local government in the County’s position. An increase in net investment in capital assets reflects acquisition of new capital assets—primarily vehicles and equipment—along with consistent payoff of existing debt. The decreasing portion of restricted net position indicates legally designated funds are being effectively spent toward their intended purpose. Figure 2 below summarizes key activities impacting the County’s net position.

**Figure 2**  
**Change in Net Position (in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 32.3	\$ 34.1	\$ 12.6	\$ 11.7	\$ 44.9	\$ 45.8
Operating grants and contributions	82.2	72.7	0.5	0.7	82.7	73.4
Capital grants and contributions	2.5	2.6	-	-	2.5	2.6
General revenues:						
Property taxes	324.0	303.4	-	-	324.0	303.4
Other taxes	166.0	179.1	0.8	0.8	166.8	179.9
Other	21.7	19.7	0.1	0.9	21.8	20.6
Total revenues	<u>628.7</u>	<u>611.6</u>	<u>14.0</u>	<u>14.1</u>	<u>642.7</u>	<u>625.7</u>
<b>Expenses:</b>						
General government	98.0	85.9	-	-	98.0	85.9
Public safety	162.2	144.4	-	-	162.2	144.4
Economic and physical development	51.1	54.3	-	-	51.1	54.3
Human services	107.8	107.6	-	-	107.8	107.6
Culture and recreation	14.3	11.6	-	-	14.3	11.6
Education	194.2	197.0	-	-	194.2	197.0
Interest on long-term debt	16.0	12.6	-	-	16.0	12.6
Solid waste disposal	-	-	15.7	15.8	15.7	15.8
Other	-	-	1.4	0.6	1.4	0.6
Total expenses	<u>643.6</u>	<u>613.4</u>	<u>17.1</u>	<u>16.4</u>	<u>660.7</u>	<u>629.8</u>
Increase (decrease) in net position						
Before transfers	(14.9)	(1.8)	(3.1)	(2.3)	(18.0)	(4.1)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	(14.9)	(1.8)	(3.1)	(2.4)	(18.0)	(4.1)
Net position, beginning						
as originally reported	(16.3)	(37.9)	24.6	26.9	8.3	(11.0)
Change in accounting principle		(3.5)	-	-	-	(3.5)
Error correction	(6.2)	26.9	-	-	(6.2)	26.9
Net position (deficit), beginning	<u>(22.5)</u>	<u>(14.5)</u>	<u>24.6</u>	<u>26.9</u>	<u>2.1</u>	<u>12.4</u>
Net position (deficit), ending	<u>\$ (37.4)</u>	<u>\$ (16.3)</u>	<u>\$ 21.5</u>	<u>\$ 24.5</u>	<u>\$ (15.9)</u>	<u>\$ 8.3</u>

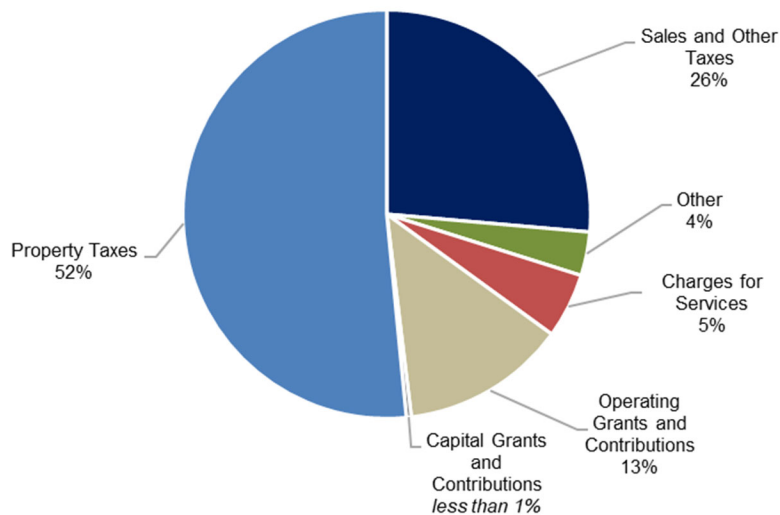
# MANAGEMENT’S DISCUSSION AND ANALYSIS

**Figure 3**  
**2025 Expenses and Program Revenues - Governmental Activities**  
 (in millions)



- Governmental Activities.** Governmental activities during the year decreased the County’s net position \$14.9 million. Continuing the historical trend, the governmental functions of Education and Public Safety represented the highest costs, totaling \$356.5 million, or 55.3% of total governmental expenses. As noted previously, fiscal year 2025 was an exceptional year requiring significant unanticipated spending in response to Hurricane Helene. At June 30, approximately \$25 million had been spent toward response or recovery. In addition, two of the County’s top three revenue streams, property taxes and sales taxes, came in notably under their original budgets by \$3.1 million (0.71% of budget) and \$1.2 million (2.6% of budget), respectively.

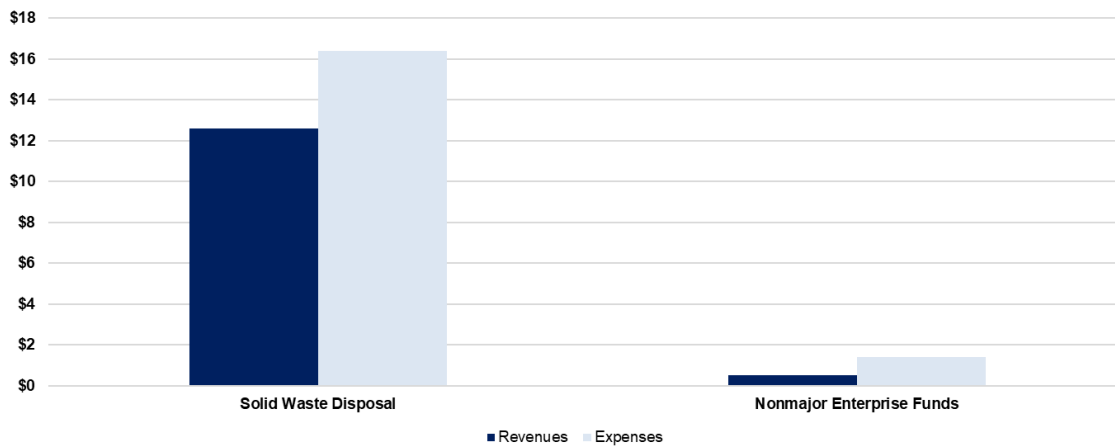
**Figure 4**  
**2025 Revenues By Source**  
**Governmental Activities**



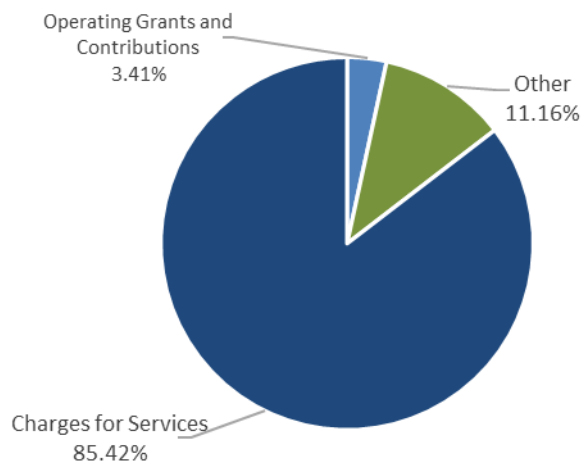
# MANAGEMENT’S DISCUSSION AND ANALYSIS

**Business-type Activities.** Business-type activities decreased net position by \$3.1 million during the fiscal year ending June 30, 2025. This decrease is primarily due to activities in the County’s Solid Waste Disposal Fund and marks the fifth consecutive year that fund has operated at a loss. Historically, this pattern is attributable to significant annual fluctuations in landfill closure and postclosure care costs, along with consistent growth of other fixed costs which outpace adjustments to fees for services. For fiscal year 2025, operating revenues represented 80% of operating expenses. Hurricane Helene also adversely impacted business during the fiscal year, requiring temporary closure of the County’s solid waste transfer station and otherwise affecting use of the landfill through changing development patterns, landfill accessibility, and significant challenges related to managing the extreme amount of debris generated by the storm.

**Figure 5**  
**2025 Expenses and Program Revenues - Business-Type Activities**  
 (in millions)



**Figure 6 2025 Revenues By Source Business-Type Activities**



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

At June 30, 2025, the governmental funds of Buncombe County reported a combined fund balance of \$235.4 million, a \$44.4 million decrease from last year. Of the total governmental fund balance, \$158.0 million, or 67.1%, is considered nonspendable or legally restricted as to use.

The General Fund is the chief operating fund of Buncombe County. At the end of the current fiscal year, Buncombe County's fund balance available in the General Fund was \$72.3 million, while total fund balance reached \$117.5 million. The Board of Commissioners has determined that the County should maintain a minimum available fund balance of 15% of General Fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the County. The County currently has an available fund balance of 15.6%.

During the fiscal year, the County revised the General Fund budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Formal amendments to the General Fund decreased revenue by approximately \$7 million in total, not accounting for the budgetary appropriation of fund balance. Of this amount, \$4.8 million represented a reduction in appropriations to the local public school systems, an unprecedented step taken to preserve liquidity and support emergency response in the wake of Hurricane Helene. Revenue drivers for the budget amendments were anticipated reductions in property taxes and sales tax distributions, two of the County's top three revenue sources. Actual revenue collected during the year was less than the final budget amount by \$2.2 million.

Providing evidence of success of the steps taken for budget moderation, the fund balance of the County's General Fund saw an increase of approximately \$1.6 million from the prior year. As budgetary response to Hurricane Helene, broad expenditure-reducing measures were implemented at the operational level in addition to the formal budget amendments noted above. A hiring freeze was placed on approximately 90 positions, certain technology and infrastructure maintenance projects were deferred, the pending countywide property reappraisal was delayed, and special projects and community investments were temporarily eliminated. These cuts resulted in final General Fund expenditures which were \$19.7 million under the amended budget.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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Overall, the nonspendable and restricted portions of fund balance decreased approximately 1% from the prior year, while the available portion—committed, assigned, and unassigned—increased by 2.8%. About 41%, or approximately \$659,000, of the \$1.6 million added to fund balance is restricted by State law for uses related to building permits and inspections. An additional \$10.8 million of fund balance was restricted at year-end for cashflow support of other funds operated by the County. This represents a more than 91% increase in the value of “cash loans” made by the General Fund compared to the prior year. A significant share of this amount, approximately \$7.2 million or 67%, represents cash flow support of Helene recovery and response efforts pending federal and other reimbursements.

The County Capital Projects Fund accounts for capital asset construction or acquisition from general government resources and financing. The total fund balance decreased \$13.6 million from \$30.9 million in fiscal year 2024 to \$17.3 million in 2025. Total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The issuance of debt is the County’s primary funding structure for County capital projects and generally occurs in even-numbered years. There was no debt issued for County capital projects during fiscal year 2025, while there was nearly \$16.6 million of project activity completed. Revenues received in the fund during the year were less than \$2.1 million and primarily attributable to grant funding and investment earnings.

Public School ADM Sales Tax/Lottery Projects Fund accounts for major capital maintenance projects for local public schools with article 40/42 sales tax and lottery funds. The County’s primary role in this fund is as custodian of funds allocated from the State to the school systems for these projects. The County ensures reimbursement to the schools for project expenditures as eligible project activities are completed. Once constructed or improved, the assets will be capitalized by the local school units.

The Public School Capital Needs Fund accounts for revenues restricted for public school capital outlay projects. The total fund balance decreased \$27.7 million from \$66.6 million in fiscal year 2024 to \$38.9 million in 2025. Total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. The primary funding sources in this fund are locally levied sales taxes and investment earnings which are used to make loan payments. During the fiscal year, \$32.7 million was spent toward school capital projects while \$31.3 million was earned in revenue. An additional \$25.9 million was paid toward existing loans.

The AB Tech Capital Project Fund accounts for revenues restricted for use on capital projects benefiting AB Tech Community College. The total fund balance increased approximately \$6.2 million from \$20.2 million in fiscal year 2024 to \$26.4 million in 2025. Similar to other capital project funds, total fund balance can fluctuate from year to year due to the timing of debt issuances or other funding and project completions. During the fiscal year, capital project activities and related spending were limited in the aftermath of Hurricane Helene. Project activities that did occur were focused on capital maintenance, master planning, and major project underway prior to the storm. Despite the significant impacts of Hurricane Helene, sales tax proceeds, which are the primary source of revenue for this fund came in stronger than projected.

The Special Projects Capital Projects Fund accounts for special projects that may not necessarily result in a capital asset for the County. The total fund balance decreased \$3.8 million from \$22.9 million in fiscal year 2024 to \$19.1 million in 2025. Total fund balance can fluctuate from year to year due to the timing of collections on long-term receivables associated with affordable housing loans and project completions. The primary cause for the decrease was use of fund balance accumulated in prior years to pay major commitments related to economic development, investment in early childhood education, and support of affordable housing services programs.

The Grant Projects Fund accounts for revenues received from multi-year grants and related expenditures. The total fund balance decreased \$5.4 million from a (\$5.3) million deficit in fiscal year 2024 to a (\$10.7) million deficit in 2025. Total fund balance can fluctuate from year to year due to the timing of grant reimbursements and when the

# MANAGEMENT'S DISCUSSION AND ANALYSIS

actual project expenditures occurred. The most significant impacts in this fund during the year were generated from recovery and response activities to Hurricane Helene. The County spent nearly \$25 million related to storm recovery efforts. At year-end, only a portion of this spending had been offset by federal reimbursements from FEMA, insurance claims, and cashflow loans from the State of North Carolina.

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

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

**Proprietary Funds.** The County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Disposal Fund at the end of the fiscal year amounted to (\$8.4) million (deficit). The Solid Waste Fund net position decreased—i.e., extended the deficit—\$2.2 million from fiscal year 2024. For fiscal year 2025, the County increased the average tipping fee to \$55.00 per ton, a 13.4% increase from the prior year fee. During the fiscal year, operating expenses exceeded operating revenues, including charges for services, by \$2.8 million. This is likely due to consistent fluctuations in certain required costs, such as landfill closure and postclosure care costs, as well as extended business outages following Hurricane Helene. The County has committed to conducting the next reevaluation of the solid waste fee schedule following the close of fiscal year 2025.

## Capital Asset and Debt Administration

**Capital Assets.** As of June 30, 2025, the County's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities totaled \$275.5 million. These assets include land, buildings and improvements, equipment, automotive equipment, construction in progress, and right to use assets. This represents an immaterial decrease from fiscal year 2025 and indicates the County's inventory of capital assets remained relatively stable during the year.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 21.6	\$ 21.6	\$ 6.8	\$ 6.8	\$ 28.4	\$ 28.4
Buildings and improvements	163.6	171.4	27.8	30.0	191.4	201.4
Equipment	10.1	13.8	2.3	2.6	12.5	16.4
Automotive equipment	11.1	5.8	0.3	0.7	11.3	6.5
Intangibles	0.4	0.8	-	-	0.4	0.8
Construction in progress	18.0	11.3	-	-	18.0	11.3
Right-to-use	12.1	9.3	1.3	1.5	13.4	10.8
Total capital assets	\$ 236.9	\$ 234.0	\$ 38.6	\$ 41.6	\$ 275.5	\$ 275.6

**Outstanding Debt.** As of June 30, 2025, the County's total debt outstanding was \$396.5 million, of which \$16.4 million is debt backed by the full faith and credit of the County. Installment notes account for the remaining \$380.1 million. Collateral for these notes are the assets purchased or constructed.

# MANAGEMENT’S DISCUSSION AND ANALYSIS

As mentioned earlier, the County is required by State law to provide capital funding for the two local public school systems and the community college. At the end of the fiscal year, the outstanding balance of the debt for these activities is approximately \$213 million, of which \$171.3 million is for the school systems and \$41.7 million is for the community college.

State law also requires the County to provide court facilities for the State of North Carolina. At the end of the fiscal year, the outstanding balance of the debt related to courthouse facilities was \$18.3 million, or 4.6% of the total outstanding debt of the County.

As mentioned in the financial highlights section of this document, Buncombe County maintained its AAA bond rating from Standard and Poor’s Corporation and the Kroll Bond Rating Agency, as well as its Aaa rating with Moody’s Investor Service. The ratings were all maintained following completion of a “credit watch” period which is standard for jurisdictions impacted by a major catastrophic event, such as Hurricane Helene. These bond ratings are a positive reflection of the sound financial condition of the County and indication of confidence in the steps taken to maintain financial health following the storm. Continued maintenance of the highest credit ratings is a primary factor in keeping interest costs low on the County’s outstanding debt.

During fiscal year 2025, the County completed one refinancing transaction (“refunding”) of existing debt to generate savings through reduced annual loan payments. Much of the savings from the transaction will be realized in FY2026, with the County’s General Fund debt service costs reduced by approximately \$1.7 million. The County also entered into one direct bank loan for the acquisition of vehicles to be used primarily for public safety, as well as purchase of major capital equipment to support solid waste disposal business operations.

**Figure 8**  
**Outstanding Debt**  
**(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation Bonds	\$ 16.4	\$ 19.5	\$ -	\$ -	\$ 16.4	\$ 19.5
Installment Notes Payable	369.9	394.3	10.2	11.0	380.1	405.3
Total Outstanding Debt	\$ 386.3	\$ 413.8	\$ 10.2	\$ 11.0	\$ 396.5	\$ 424.8

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for Buncombe County is \$3.8 billion. The County’s policy is to limit amount of debt issued to 3% of the total assessed value of taxable property located within that government’s boundaries. The County’s imposed debt margin is \$1.2 billion.

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

## FISCAL YEAR 2026 BUDGET HIGHLIGHTS

The total operating budget for Buncombe County is \$622.4 million. The General Fund budget for fiscal year 2026 is \$433.1 million. This is a decrease of 8.6% from the fiscal year 2025 amended General Fund budget.

The tax rate for fiscal year 2026 is set at 54.66 cents per \$100 of property value. The tax rate represents a 2.9 cent increase from 2025.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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The County's prior two fiscal years were highlighted by significant, one-time events and responses, the impacts of which will inform the County's planning and budgeting processes for years to come. During fiscal year 2024, the County used \$11.1 million in fund balance primarily to continue its commitment to educational investment in the local K-12 public school systems. This represents the first use of fund balance in the County's General Fund in more than two decades. Then, in September 2024, Buncombe County and the surrounding region suffered the catastrophic impacts of Hurricane Helene. Among many other impacts, the storm drastically altered the range of services needed in the community, as well as the County's approach to prioritizing and funding those needs. As part of mid-year expenditure-reduction measures following the storm, the County took the unprecedented step of reducing appropriations to the local public school systems by \$4.8 million.

The FY2026 budget, in all material respects, reflects a structurally balanced budget – fund balance appropriated to balance the General Fund budget represents less than one percent of the adopted budget. The current year budget emphasizes continuity of essential operations and community investments. The budget also looks to limit expansion of the County's overhead – e.g., no new staffing positions were approved – as the County continues to evaluate the long-term impacts of Hurricane Helene on services needed in the community, the priority and cost of storm recovery and resiliency projects, and the potential funding sources to meet those needs.

The FY2026 budget continues the County's ongoing commitment to educational support which annually represents the County's highest functional expenditure. \$121.8 million, or 28% of the total General Fund budget, was initially budgeted for educational support. Of that, \$113.1 million has been committed to the Buncombe County and Asheville City school systems, with the remainder of the funding obligated to Asheville-Buncombe County Technical Community College (A-B Tech). Following special action by the North Carolina General Assembly, the County and school systems will also benefit from authorization to repurpose for operations a portion of sales tax proceeds historically restricted for public school capital projects. This mechanism is intended to allow the County to return the school systems to pre-Helene funding levels without increasing the property tax rate for that purpose; the authorization expires at the end of fiscal year 2027.

The current year's capital planning focuses on storm recovery activities and addressing essential maintenance projects related to the County's existing capital assets. The budget includes:

- \$4.6 million in capital activities intended for debt-financing or lease, including replacement of essential vehicles, and upgrades, renovations, and repairs to County facilities;
- \$2.3 million for repair of radio tower access roads, to be funded with anticipated recovery grant funding; and,
- \$61,000 in essential information technology capital projects to upgrade public safety security and asset management systems.

The budget also recommits the County to community investment through \$5.7 million in funding for early childhood education, Isaac Coleman grants, and supplemental funding for aging services.

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## REQUESTS FOR INFORMATION

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

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## Financial Information

### Financial Statements

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2025, 2024 and 2023. Copies of these financial statements containing the reports of the independent certified public accountants are available by contacting the office of Melissa Moore, Finance Director, at Buncombe County Finance Department, P.O. Box 7526, Asheville, North Carolina 28802 or on the County's website at <https://www.buncombenc.gov/224/Finance>.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. This marks the 46<sup>th</sup> consecutive year that the County has received this award. To receive this award, the highest form of recognition in governmental financial reporting, a governmental unit must publish a financial report that complies with both generally accepted accounting principles and applicable legal requirements. The County believes that the annual financial report for the year ended June 30, 2025, will continue to meet the requirements under the Certificate of Achievement Program.

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

Fund reporting is presented to report on the government's most important funds individually as *major* funds instead of reporting all funds in the aggregate by fund type. The General Fund is always a major fund for a unit of government, and other governmental or enterprise funds may qualify as well. Also, in addition to presenting the budget as it stands at fiscal year-end, the budget is presented as originally adopted by the governing board as well. This information will provide readers the opportunity to see what changes have been made to the budget over the course of the fiscal year and to evaluate the County's ability to manage and estimate its resources. See pages D-10 through D-13 for the presentation of the County's budgetary statement.

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Net Position

JUNE 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 191,049,340	\$ 18,456,559	\$ 209,505,899
Receivables, net	37,580,221	1,204,559	38,784,780
Due from other governments	52,968,833	239,585	53,208,418
Inventories	-	44,028	44,028
Prepays	802,818	-	802,818
Restricted cash and investments	59,209,538	2,960,424	62,169,962
Net pension asset	358,856	-	358,856
Long-term receivables	16,018,147	-	16,018,147
Lease receivable	10,963,728	-	10,963,728
Capital assets:			
Land and construction in progress	39,577,930	6,842,138	46,420,068
Other capital assets, net of depreciation	185,199,972	30,436,309	215,636,281
Right to use assets, net of amortization	12,136,243	1,276,509	13,412,752
Total capital assets	<u>236,914,145</u>	<u>38,554,956</u>	<u>275,469,101</u>
Total assets	<u>605,865,626</u>	<u>61,460,111</u>	<u>667,325,737</u>
DEFERRED OUTFLOWS OF RESOURCES	58,273,140	1,100,004	59,373,144
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	36,334,818	1,294,167	37,628,985
Accrued interest payable	1,574,038	34,819	1,608,857
Payable from restricted cash	5,986,064	-	5,986,064
Unearned revenue	10,586,055	-	10,586,055
Other liabilities	9,048,142	1,150	9,049,292
Due to component unit	5,104,905	-	5,104,905
Noncurrent liabilities:			
Due within one year: Bonds, notes, lease liabilities, compensated absences, retirement liabilities	46,121,464	3,726,057	49,847,521
Due in more than one year:			
Total pension liability - LEOSSA	8,730,284	-	8,730,284
Net pension liability - LGERS	92,621,554	1,837,241	94,458,795
Net OPEB liability	66,534,977	1,319,230	67,854,207
Bonds, notes, lease liabilities, compensated absences, retirement liabilities	368,075,574	32,306,255	400,381,829
Total noncurrent liabilities	<u>582,083,853</u>	<u>39,188,783</u>	<u>621,272,636</u>
Total liabilities	<u>650,717,875</u>	<u>40,518,919</u>	<u>691,236,794</u>
DEFERRED INFLOWS OF RESOURCES	50,807,251	529,036	51,336,287
<b>NET POSITION</b>			
Net investment in capital assets	83,265,035	29,996,637	113,261,672
Restricted for:			
Stabilization by State statute	39,535,227	-	39,535,227
Net pension asset	358,856	-	358,856
Capital projects	9,548,881	-	9,548,881
Education	65,416,283	-	65,416,283
General government	972,069	-	972,069
Public Safety	1,964,679	-	1,964,679
Economic and physical development	15,493,286	-	15,493,286
Human services	6,684,271	-	6,684,271
Library	958,261	-	958,261
Unrestricted (deficit)	(261,583,208)	(8,484,477)	(270,067,685)
Total net position	<u>\$ (37,386,360)</u>	<u>\$ 21,512,160</u>	<u>\$ (15,874,200)</u>

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

	Component Units	
	Tourism Development Authority	Asheville-Buncombe Air Quality Agency
<b>ASSETS</b>		
Cash and investments	\$ 76,486,682	\$ 713,601
Receivables, net	5,129,406	30,352
Prepays	36,439	-
Capital assets:		
Other capital assets, net of depreciation	-	209,091
Right to use assets, net of amortization	4,530,509	-
Total capital assets	4,530,509	209,091
Total assets	86,183,036	953,044
DEFERRED OUTFLOWS OF RESOURCES	-	240,688
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	7,238,213	30,182
Accrued interest payable	11,788	-
Other liabilities	676,522	-
Noncurrent liabilities:		
Due within one year: Bonds, notes, lease liabilities, compensated absences, retirement liabilities	356,844	210,870
Due in more than one year:		
Net OPEB liability	-	295,291
Bonds, notes, lease liabilities, compensated absences, retirement liabilities	4,625,470	300,130
Total noncurrent liabilities	4,982,314	806,291
Total liabilities	12,908,837	836,473
DEFERRED INFLOWS OF RESOURCES	-	120,481
<b>NET POSITION</b>		
Net investment in capital assets	(314,272)	209,091
Restricted for:		
Stabilization by State statute	3,420,811	-
Product development	38,936,025	-
Legacy investment in tourism	16,724,213	-
Unrestricted (deficit)	14,507,422	27,687
Total net position	\$ 73,274,199	\$ 236,778

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 97,979,558	\$ 7,322,178	\$ 14,051,446	\$ -
Public safety	162,240,005	14,300,095	13,014,248	-
Economic and physical development	51,126,355	4,802,049	1,058,450	127,841
Human services	107,791,912	4,880,819	50,208,594	-
Cultural and recreational	14,308,848	281,356	3,872,540	145,170
Education	194,226,526	732,275	-	2,216,366
Interest on long-term debt	16,029,634	-	-	-
Total governmental activities	<u>643,702,838</u>	<u>32,318,772</u>	<u>82,205,278</u>	<u>2,489,377</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Solid Waste Disposal	16,395,050	12,085,295	503,272	-
Nonmajor enterprise funds	1,419,260	514,595	-	-
Total business-type activities	<u>17,814,310</u>	<u>12,599,890</u>	<u>503,272</u>	<u>-</u>
Total primary government	<u>\$ 661,517,148</u>	<u>\$ 44,918,662</u>	<u>\$ 82,708,550</u>	<u>\$ 2,489,377</u>
<b>COMPONENT UNITS:</b>				
Tourism Development Authority	\$ 27,432,209	\$ 188,973	\$ 26,376,441	\$ -
Asheville-Buncombe Air Quality Agency	1,194,248	553,756	463,060	-
Total component units	<u>\$ 28,626,457</u>	<u>\$ 742,729</u>	<u>\$ 26,839,501</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Payments in lieu of taxes

Investment earnings (loss), unrestricted

Grants and contributions, unrestricted

Other, unrestricted

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as previously reported

Error correction (Note 9)

Net position, beginning, as restated

Net position, ending

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

Net (Expense) Revenue and Change in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Tourism Development Authority	Asheville-Buncombe Air Quality Agency
\$ (76,605,934)	\$ -	\$ (76,605,934)		
(134,925,662)	-	(134,925,662)		
(45,138,015)	-	(45,138,015)		
(52,702,499)	-	(52,702,499)		
(10,009,782)	-	(10,009,782)		
(191,277,885)	-	(191,277,885)		
(16,029,634)	-	(16,029,634)		
(526,689,411)	-	(526,689,411)		
-	(3,806,483)	(3,806,483)		
-	(904,665)	(904,665)		
-	(4,711,148)	(4,711,148)		
(526,689,411)	(4,711,148)	(531,400,559)		
			\$ (866,795)	\$ -
			-	(177,432)
			(866,795)	(177,432)
324,040,174	-	324,040,174	-	-
132,417,525	-	132,417,525	-	-
33,549,299	819,404	34,368,703	-	155,565
110,624	-	110,624	-	-
13,192,001	815,216	14,007,217	3,165,536	30,133
3,163,153	-	3,163,153	-	-
5,290,468	-	5,290,468	37,024	100
(11,950)	11,950	-	-	-
511,751,294	1,646,570	513,397,864	3,202,560	185,798
(14,938,117)	(3,064,578)	(18,002,695)	2,335,765	8,366
(16,291,198)	24,576,738	8,285,540	70,938,434	228,412
(6,157,045)	-	(6,157,045)	-	-
(22,448,243)	24,576,738	2,128,495	70,938,434	228,412
\$ (37,386,360)	\$ 21,512,160	\$ (15,874,200)	\$ 73,274,199	\$ 236,778

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

BUNCOMBE COUNTY, NORTH CAROLINA

Balance Sheet

Governmental Funds

JUNE 30, 2025

	General	Occupancy Tax	Special Taxing Districts	Opioid Settlement	Grant Projects
<b>ASSETS</b>					
Cash and investments	\$ 96,524,179	\$ 2,597,782	\$ 1,829,040	\$ -	\$ -
Restricted cash and investments	741,642	-	-	4,044,879	10,963,996
Receivables, net	11,719,685	2,639,153	356,276	21,164,988	34,194
Due from other governments	19,264,819	-	4,539,855	-	8,305,003
Due from other funds	10,823,994	-	-	-	-
Prepaid items	418,481	-	-	-	337
Long-term receivable	484	-	-	-	-
Lease receivable	10,963,728	-	-	-	-
Total assets	<u>\$ 150,457,012</u>	<u>\$ 5,236,935</u>	<u>\$ 6,725,171</u>	<u>\$ 25,209,867</u>	<u>\$ 19,303,530</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 11,944,437	\$ -	\$ 6,458,436	\$ -	\$ 1,783,066
Payable from restricted cash	57,251	-	-	158,705	377,941
Unearned revenue	-	-	-	-	10,586,055
Other liabilities	3,791,951	-	-	-	-
Due to component unit	-	5,104,905	-	-	-
Due to other funds	-	132,030	-	-	9,797,508
Total liabilities	<u>15,793,639</u>	<u>5,236,935</u>	<u>6,458,436</u>	<u>158,705</u>	<u>22,544,570</u>
DEFERRED INFLOWS OF RESOURCES	<u>17,192,693</u>	<u>-</u>	<u>266,735</u>	<u>19,008,208</u>	<u>7,481,457</u>
<b>FUND BALANCES</b>					
Nonspendable	395,609	-	-	-	-
Restricted					
Stabilization by State statute	37,746,069	-	-	-	-
Education	-	-	-	-	-
Capital projects	264,362	-	-	-	-
General government	372,776	-	-	-	-
Public Safety	-	-	-	-	-
Economic and physical development	6,362,515	-	-	-	-
Human services	-	-	-	6,042,954	-
Library	-	-	-	-	-
Assigned					
Subsequent year's expenditures	7,100	-	-	-	-
Education	-	-	-	-	-
Capital projects	-	-	-	-	-
Economic & physical development	-	-	-	-	-
Unassigned	72,322,249	-	-	-	(10,722,497)
Total fund balances	<u>117,470,680</u>	<u>-</u>	<u>-</u>	<u>6,042,954</u>	<u>(10,722,497)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 150,457,012</u>	<u>\$ 5,236,935</u>	<u>\$ 6,725,171</u>	<u>\$ 25,209,867</u>	<u>\$ 19,303,530</u>

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

Public School Capital Needs	AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	County Capital Projects	Special Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 19,279,082	\$ 21,454,362	\$ -	\$ 1,293,521	\$ 18,237,640	\$ 5,089,112	\$ 166,304,718
13,730,171	162,055	-	17,649,003	-	11,917,792	59,209,538
-	39,850	115,252	321,839	35,179	65,629	36,492,045
7,542,622	5,140,447	5,886,906	-	-	2,289,181	52,968,833
-	-	-	-	-	-	10,823,994
-	-	-	-	-	-	418,818
-	-	-	-	9,548,881	6,468,782	16,018,147
-	-	-	-	-	-	10,963,728
<u>\$ 40,551,875</u>	<u>\$ 26,796,714</u>	<u>\$ 6,002,158</u>	<u>\$ 19,264,363</u>	<u>\$ 27,821,700</u>	<u>\$ 25,830,496</u>	<u>\$ 353,199,821</u>
\$ 78,244	\$ 195,366	\$ 5,886,906	\$ 1,104,334	\$ 3,652,093	\$ 458,814	\$ 31,561,696
1,500,702	157,994	-	894,674	-	2,838,797	5,986,064
-	-	-	-	-	-	10,586,055
-	-	-	-	5,062,670	193,521	9,048,142
-	-	-	-	-	-	5,104,905
-	-	115,252	-	-	779,204	10,823,994
<u>1,578,946</u>	<u>353,360</u>	<u>6,002,158</u>	<u>1,999,008</u>	<u>8,714,763</u>	<u>4,270,336</u>	<u>73,110,856</u>
-	-	-	-	-	787,103	44,736,196
-	-	-	-	-	-	395,609
-	-	-	-	-	1,789,158	39,535,227
38,972,929	26,443,354	-	-	-	-	65,416,283
-	-	-	16,754,329	9,548,881	-	26,567,572
-	-	-	-	-	599,293	972,069
-	-	-	-	-	1,964,679	1,964,679
-	-	-	-	-	9,130,771	15,493,286
-	-	-	-	-	641,317	6,684,271
-	-	-	-	-	958,261	958,261
-	-	-	-	-	-	7,100
-	-	-	-	4,257,138	-	4,257,138
-	-	-	511,026	5,300,918	-	5,811,944
-	-	-	-	-	5,689,578	5,689,578
-	-	-	-	-	-	61,599,752
<u>38,972,929</u>	<u>26,443,354</u>	<u>-</u>	<u>17,265,355</u>	<u>19,106,937</u>	<u>20,773,057</u>	<u>235,352,769</u>
<u>\$ 40,551,875</u>	<u>\$ 26,796,714</u>	<u>\$ 6,002,158</u>	<u>\$ 19,264,363</u>	<u>\$ 27,821,700</u>	<u>\$ 25,830,496</u>	

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

Reconciliation to full accrual basis of accounting (see Note 1)

Net position (deficit) of governmental activities

(272,739,129)

\$ (37,386,360)

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2025

	General	Occupancy Tax	Special Taxing Districts	Opioid Settlement	Grant Projects
<b>REVENUES</b>					
Ad valorem taxes	\$ 275,362,221	\$ -	\$ 48,087,034	\$ -	\$ -
Local option sales taxes	45,401,618	-	17,092,817	-	-
Other taxes and licenses	5,782,074	27,767,225	-	-	-
Unrestricted intergovernmental	3,163,153	-	-	-	-
Restricted intergovernmental	49,322,499	-	-	-	22,476,804
Permits and fees	5,399,210	-	-	-	-
Sales and services	25,105,494	-	-	-	-
Investment earnings (loss)	8,108,635	-	-	186,682	-
Other	1,423,558	-	-	2,707,191	665,232
Total revenues	419,068,462	27,767,225	65,179,851	2,893,873	23,142,036
<b>EXPENDITURES</b>					
Current:					
General government	58,146,242	-	-	161,001	24,002,908
Public safety	92,496,992	-	48,783,826	2,069,244	13,503,447
Economic and physical development	8,463,316	27,767,225	-	-	1,965,911
Human services	93,802,027	-	-	647,885	4,649,918
Cultural and recreational	10,778,296	-	-	-	965,706
Education	121,851,159	-	16,396,025	-	-
Capital outlay	10,714,992	-	-	36,689	-
Debt service:					
Principal retirement	18,744,929	-	-	-	-
Interest and fees	6,650,257	-	-	-	-
Total expenditures	421,648,210	27,767,225	65,179,851	2,914,819	45,087,890
Revenues over (under) expenditures	(2,579,748)	-	-	(20,946)	(21,945,854)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	5,061,030	-	-	-	273,828
Transfers to other funds	(10,255,003)	-	-	-	(11,950)
Installment obligations issued	3,407,000	-	-	-	14,024,620
Installment obligations issued - refunding	29,575,000	-	-	-	-
Premiums on issuance	2,654,563	-	-	-	-
Payment to refunded bond escrow agent	(32,692,723)	-	-	-	-
Lease liabilities issued	6,413,832	-	-	-	-
Sale of capital assets	25,879	-	-	-	-
Insurance recoveries	-	-	-	-	2,217,735
Total other financing sources (uses)	4,189,578	-	-	-	16,504,233
Net changes in fund balances	1,609,830	-	-	(20,946)	(5,441,621)
Fund balances, beginning	115,860,850	-	-	6,063,900	(5,280,876)
Fund balances, ending	\$ 117,470,680	\$ -	\$ -	\$ 6,042,954	\$ (10,722,497)

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

Public School Capital Needs	AB Tech Capital Projects	Public Schools ADM Sales Tax/ Lottery Projects	County Capital Projects	Special Projects Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,449,255
28,353,867	19,391,685	22,177,538	-	-	-	132,417,525
-	-	-	-	-	-	33,549,299
-	-	-	-	-	-	3,163,153
-	-	2,216,366	145,170	127,841	6,297,967	80,586,647
-	-	-	-	-	370,427	5,769,637
-	-	-	-	-	732,275	25,837,769
2,216,986	779,544	-	885,641	-	908,975	13,086,463
763,269	73,885	-	1,054,306	176,702	69,705	6,933,848
31,334,122	20,245,114	24,393,904	2,085,117	304,543	8,379,349	624,793,596
-	-	-	-	-	241,215	82,551,366
-	-	-	-	-	978,449	157,831,958
-	-	-	-	-	-	38,196,452
-	-	-	-	-	5,256,840	104,356,670
-	-	-	-	-	-	11,744,002
-	-	-	-	-	732,275	138,979,459
32,677,306	2,394,389	24,393,904	16,592,983	11,589,398	3,480,826	101,880,487
17,776,775	5,147,957	-	-	-	610,632	42,280,293
8,162,227	1,464,009	-	-	-	295,610	16,572,103
58,616,308	9,006,355	24,393,904	16,592,983	11,589,398	11,595,847	694,392,790
(27,282,186)	11,238,759	-	(14,507,866)	(11,284,855)	(3,216,498)	(69,599,194)
-	-	-	854,640	7,533,661	1,592,874	15,316,033
-	(5,000,000)	-	-	(34,341)	(26,689)	(15,327,983)
-	-	-	-	-	-	17,431,620
21,505,000	2,690,000	-	-	-	-	53,770,000
1,934,682	239,960	-	-	-	-	4,829,205
(23,776,527)	(2,972,066)	-	-	-	-	(59,441,316)
-	-	-	-	-	-	6,413,832
-	-	-	-	-	9,200	35,079
-	-	-	-	-	-	2,217,735
(336,845)	(5,042,106)	-	854,640	7,499,320	1,575,385	25,244,205
(27,619,031)	6,196,653	-	(13,653,226)	(3,785,535)	(1,641,113)	(44,354,989)
66,591,960	20,246,701	-	30,918,581	22,892,472	22,414,170	279,707,758
\$ 38,972,929	\$ 26,443,354	\$ -	\$ 17,265,355	\$ 19,106,937	\$ 20,773,057	\$ 235,352,769

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

Net changes in fund balances - total governmental funds	\$ (44,354,989)
Reconciliation to full accrual basis of accounting (see Note 1)	29,416,872
Total change in net position (deficit) of governmental activities	<u>\$ (14,938,117)</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 5

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

FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 277,331,794	\$ 278,469,778	\$ 275,362,221	\$ (3,107,557)
Local option sales taxes	46,629,466	46,629,466	45,401,618	(1,227,848)
Other taxes and licenses	6,799,610	6,799,610	5,782,074	(1,017,536)
Unrestricted intergovernmental	765,000	1,277,408	3,163,153	1,885,745
Restricted intergovernmental	48,053,728	48,718,938	49,322,499	603,561
Permits and fees	5,927,500	5,927,500	5,399,210	(528,290)
Sales and services	24,894,690	24,894,690	25,105,494	210,804
Investment earnings (loss)	7,130,000	6,500,000	8,108,635	1,608,635
Other	1,693,265	2,047,938	1,425,629	(622,309)
Total revenues	<u>419,225,053</u>	<u>421,265,328</u>	<u>419,070,533</u>	<u>(2,194,795)</u>
<b>EXPENDITURES</b>				
Current:				
General government	69,882,562	79,818,316	68,162,463	11,655,853
Public safety	95,252,463	94,321,656	93,195,763	1,125,893
Economic and physical development	9,713,375	11,161,938	8,463,316	2,698,622
Human services	96,663,471	97,296,250	93,802,026	3,494,224
Culture and recreation	11,306,529	11,323,089	10,778,296	544,793
Intergovernmental:				
Education	126,475,477	122,034,016	121,851,159	182,857
Total current expenditures	<u>409,293,877</u>	<u>415,955,265</u>	<u>396,253,023</u>	<u>19,702,242</u>
Debt service:				
Principal retirement	15,407,382	51,310,717	18,744,929	32,565,788
Interest and other charges	6,249,592	6,662,206	6,650,258	11,948
Total debt service	<u>21,656,974</u>	<u>57,972,923</u>	<u>25,395,187</u>	<u>32,577,736</u>
Total expenditures	<u>430,950,851</u>	<u>473,928,188</u>	<u>421,648,210</u>	<u>52,279,978</u>
Revenues over (under) expenditures	<u>(11,725,798)</u>	<u>(52,662,860)</u>	<u>(2,577,677)</u>	<u>50,085,183</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	5,030,318	5,030,318	5,061,030	30,712
Transfers to other funds	(9,270,934)	(10,037,216)	(10,255,003)	(217,787)
Installment obligations issued	3,955,294	36,184,857	3,407,000	(32,777,857)
Installment obligations issued - refunding	-	-	29,575,000	29,575,000
Premiums on issuance	-	-	2,654,563	2,654,563
Payment to refunded bond escrow agent	-	-	(32,692,723)	(32,692,723)
Lease liabilities issued	-	6,418,819	6,413,832	(4,987)
Sales of capital assets	50,000	50,000	25,879	(24,121)
Appropriated fund balance	11,961,120	15,016,082	-	(15,016,082)
Total other financing sources (uses)	<u>11,725,798</u>	<u>52,662,860</u>	<u>4,189,578</u>	<u>(48,473,282)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,611,901</u>	<u>\$ 1,611,901</u>
Reconciliation from budgetary basis to GAAP:				
Reconciling items:				
Net collections on long-term loans			<u>(2,071)</u>	
Change in fund balance			1,609,830	
Fund balance, beginning			<u>115,860,850</u>	
Fund balance, ending			<u>\$ 117,470,680</u>	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 6

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

FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
REVENUES				
Occupancy tax	\$ 40,000,000	\$ 40,000,000	\$ 27,767,225	\$ (12,232,775)
Total revenues	40,000,000	40,000,000	27,767,225	(12,232,775)
EXPENDITURES				
Current:				
Economic and physical development:				
Tourism development	40,000,000	40,000,000	27,767,225	12,232,775
Total expenditures	40,000,000	40,000,000	27,767,225	12,232,775
Revenues over expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 7

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

FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 49,479,660	\$ 49,479,660	\$ 48,087,034	\$ (1,392,626)
Local option sales taxes	18,868,597	18,868,597	17,092,817	(1,775,780)
Total revenues	<u>68,348,257</u>	<u>68,348,257</u>	<u>65,179,851</u>	<u>(3,168,406)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Volunteer fire departments	51,098,257	51,098,257	48,783,826	2,314,431
Education:				
Asheville City Schools	17,250,000	17,250,000	16,396,025	853,975
Total expenditures	<u>68,348,257</u>	<u>68,348,257</u>	<u>65,179,851</u>	<u>3,168,406</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>	
Fund balance, ending			<u>\$ -</u>	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 8

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

FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Final Budget	Actual	Variance With Final Positive (Negative)
<b>REVENUES</b>				
Other	\$ 2,109,143	\$ 2,109,143	\$ 2,707,191	\$ 598,048
Investment earnings	-	-	186,682	186,682
Total revenues	<u>2,109,143</u>	<u>2,109,143</u>	<u>2,893,873</u>	<u>\$ 784,730</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Salaries and benefits	252,624	252,624	159,716	92,908
Other operating expenditures	3,891	3,891	1,285	2,606
Human services:				
Salaries and benefits	268,542	268,542	262,550	5,992
Other operating expenditures	560,154	560,154	385,335	174,819
Public Safety:				
Salaries and benefits	1,219,467	1,219,467	1,270,955	(51,488)
Other operating expenditures	955,182	955,182	798,289	156,893
Capital outlay	55,000	55,000	36,689	18,311
Total expenditures	<u>3,314,860</u>	<u>3,314,860</u>	<u>2,914,819</u>	<u>400,041</u>
Revenues under expenditures	<u>(1,205,717)</u>	<u>(1,205,717)</u>	<u>(20,946)</u>	<u>1,184,771</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriated fund balance	1,205,717	1,205,717	-	(1,205,717)
Total other financing sources	<u>1,205,717</u>	<u>1,205,717</u>	<u>-</u>	<u>(1,205,717)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(20,946)</u>	<u>\$ (20,946)</u>
Fund balance, beginning			<u>6,063,900</u>	
Fund balance, ending			<u>\$ 6,042,954</u>	

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 9

Statement of Net Position

Proprietary Funds

JUNE 30, 2025

	Enterprise Funds			Internal
	Solid Waste	Nonmajor	Total	Service Fund
	Disposal	Enterprise		Insurance
Fund	Funds		Fund	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 17,943,388	\$ 513,171	\$ 18,456,559	\$ 24,744,622
Restricted cash and cash equivalents	2,960,424	-	2,960,424	-
Receivables, net	1,194,995	9,564	1,204,559	489,100
Due from other governments	209,585	30,000	239,585	-
Prepays	-	-	-	384,000
Inventories	44,028	-	44,028	-
Total current assets	22,352,420	552,735	22,905,155	25,617,722
Noncurrent assets:				
Capital assets:				
Land, improvements, and construction in progress	6,842,138	-	6,842,138	-
Other capital assets, net of depreciation	30,275,352	160,957	30,436,309	-
Right to use assets, net of amortization	1,276,509	-	1,276,509	-
Total capital assets	38,393,999	160,957	38,554,956	-
Total noncurrent assets	38,393,999	160,957	38,554,956	-
Total assets	60,746,419	713,692	61,460,111	25,617,722
DEFERRED OUTFLOWS OF RESOURCES	1,048,180	51,824	1,100,004	-
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	668,094	476,262	1,144,356	2,568,954
Accrued interest payable	34,819	-	34,819	-
Salaries and payroll taxes payable	140,717	9,094	149,811	16,483
Compensated absences	332,127	33,639	365,766	-
Other liabilities	1,150	-	1,150	2,187,685
Installment obligations payable, current portion	3,008,000	-	3,008,000	-
Lease obligations, current portion	352,291	-	352,291	-
Total current liabilities	4,537,198	518,995	5,056,193	4,773,122
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	24,152,713	-	24,152,713	-
Net OPEB liability	1,257,077	62,153	1,319,230	-
Net pension liability - LGERS	1,750,684	86,557	1,837,241	-
Installment obligations payable	7,196,002	-	7,196,002	-
Lease obligations payable	957,540	-	957,540	-
Total noncurrent liabilities	35,314,016	148,710	35,462,726	-
Total liabilities	39,851,214	667,705	40,518,919	4,773,122
DEFERRED INFLOWS OF RESOURCES	504,112	24,924	529,036	-
<b>NET POSITION</b>				
Net investment in capital assets	29,835,680	160,957	29,996,637	-
Unrestricted (deficit)	(8,396,407)	(88,070)	(8,484,477)	20,844,600
Total net position	\$ 21,439,273	\$ 72,887	\$ 21,512,160	\$ 20,844,600

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 10

Statement of Revenues, Expenses, and Change in Net Position  
Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ 12,085,295	\$ 514,595	\$ 12,599,890	\$ 37,968,911
Other	503,272	-	503,272	5,923,074
Total operating revenues	<u>12,588,567</u>	<u>514,595</u>	<u>13,103,162</u>	<u>43,891,985</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages, and fringe benefits	3,951,648	204,395	4,156,043	676,523
Contracted services		886,753	886,753	
Cost of products sold		49,786	49,786	
Other operating expenses	6,625,200	252,438	6,877,638	3,144,790
Landfill closure and postclosure care costs	1,323,780	-	1,323,780	-
Depreciation	2,856,568	25,888	2,882,456	-
Amortization	586,576	-	586,576	-
Insurance premiums	-	-	-	2,056,259
Claims	-	-	-	39,625,196
Total operating expenses	<u>15,343,773</u>	<u>1,419,260</u>	<u>16,763,032</u>	<u>45,502,768</u>
Operating income (loss)	<u>(2,755,205)</u>	<u>(904,665)</u>	<u>(3,659,870)</u>	<u>(1,610,782)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and investment income	769,494	45,722	815,216	-
Disposal taxes	819,404	-	819,404	-
Interest and other charges	(369,070)	-	(369,070)	-
Loss on disposal of assets	(682,208)	-	(682,208)	-
Total nonoperating revenues (expenses)	<u>537,620</u>	<u>45,722</u>	<u>583,342</u>	<u>-</u>
Income (loss) before transfers	<u>(2,217,585)</u>	<u>(858,943)</u>	<u>(3,076,528)</u>	<u>(1,610,782)</u>
Transfers to other funds	11,950	-	11,950	-
Change in net position	<u>(2,205,635)</u>	<u>(858,943)</u>	<u>(3,064,578)</u>	<u>(1,610,782)</u>
Net position, beginning	<u>23,644,908</u>	<u>931,830</u>	<u>24,576,738</u>	<u>22,455,382</u>
Net position, ending	<u>\$ 21,439,273</u>	<u>\$ 72,887</u>	<u>\$ 21,512,160</u>	<u>\$ 20,844,600</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Statement of Cash Flows

Proprietary Funds

FOR THE YEAR ENDED JUNE 30, 2025

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 12,015,130	\$ 485,788	\$ 12,500,918	\$ 37,624,729
Cash paid for goods and services	(7,006,636)	(905,913)	(7,912,549)	(42,998,705)
Cash paid to employees for services	(4,116,576)	(207,884)	(4,324,460)	(678,682)
Other operating revenue	293,685	-	293,685	5,923,074
Net cash provided (used) by operating activities	1,185,603	(628,009)	557,594	(129,584)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Intergovernmental revenues	819,404	-	819,404	-
Transfers from other funds	11,950	-	11,950	-
Net cash provided by (used in) noncapital financing activities	831,354	-	831,354	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(694,098)	-	(694,098)	-
Proceeds from installment obligation	1,774,000	-	1,774,000	-
Principal paid on installment obligations	(2,584,999)	-	(2,584,999)	-
Principal paid on lease obligations	(570,176)	-	(570,176)	-
Interest and fees paid on long-term liabilities	(362,320)	-	(362,320)	-
Net cash used by capital and related financing activities	(2,437,593)	-	(2,437,593)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	769,494	45,722	815,216	-
Net cash provided by investing activities	769,494	45,722	815,216	-
Net increase (decrease) in cash and investments	348,858	(582,287)	(233,429)	(129,584)
Cash and investments, beginning of year	20,554,954	1,095,458	21,650,412	24,874,206
Cash and investments, end of year	\$ 20,903,812	\$ 513,171	\$ 21,416,983	\$ 24,744,622
Classified as:				
Cash and investments	\$ 17,943,388	\$ 513,171	\$ 18,456,559	\$ 24,744,622
Restricted cash and cash equivalents	2,960,424	-	2,960,424	-
Total cash and investments	\$ 20,903,812	\$ 513,171	\$ 21,416,983	\$ 24,744,622

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

	Enterprise Funds			Internal Service Fund
	Solid Waste Disposal Fund	Nonmajor Enterprise Funds	Total	Insurance Fund
Reconciliation of operating loss to net cash provided by operating activities:				
Operating loss	\$ (2,755,205)	\$ (904,665)	\$ (3,659,870)	\$ (1,610,782)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	2,856,568	25,888	2,882,456	-
Amortization	586,576	-	586,576	-
Landfill closure and postclosure care costs	1,227,714	-	1,227,714	-
Changes in assets, liabilities and deferred outflows and inflows of resources:				
Accounts receivable	(279,750)	(28,807)	(308,557)	(344,182)
Inventories	1,575	-	1,575	-
Deferred outflows of resources - pensions	191,075	8,035	199,110	-
Net pension liability	(54,488)	(345)	(54,833)	-
Deferred inflows of resources - pensions	(7,373)	(338)	(7,711)	-
Accounts payable	(286,947)	283,064	(3,883)	1,827,539
Salaries and payroll taxes payable	(7,160)	436	(6,724)	(2,159)
Deferred outflows of resources - OPEB	(3,114)	(350)	(3,464)	-
Net OPEB liability	(14,413)	(16,159)	(30,572)	-
Deferred inflows of resources - OPEB	(348,949)	942	(348,007)	-
Accrued compensated absences	79,494	4,290	83,784	-
Total adjustments	3,940,808	276,656	4,217,464	1,481,198
Net cash provided (used) by operating activities	\$ 1,185,603	\$ (628,009)	\$ 557,594	\$ (129,584)
Noncash capital and related financing activities				
Capital assets acquired under lease agreement	\$ 376,681	\$ -	\$ 376,681	\$ -
Total noncash capital and related financing activities	\$ 376,681	\$ -	\$ 376,681	\$ -

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 12

Statement of Fiduciary Net Position

Fiduciary Funds

JUNE 30, 2025

	OPEB Trust Fund	Custodial Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,680,242
Investments:		
State Treasurer Short Term Investment Fund	8,780,105	-
State Treasurer Bond Index Fund	3,292,047	-
Mutual funds	42,546,412	-
Receivables, net	-	853,960
Total assets	<u>54,618,564</u>	<u>2,534,202</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	-	105,597
Due to other governments	-	1,690,810
Total liabilities	<u>-</u>	<u>1,796,407</u>
<b>NET POSITION</b>		
Restricted for:		
Postemployment benefits other than pensions	54,618,564	-
Individuals and other governments	-	737,795
Total net position	<u>\$ 54,618,564</u>	<u>\$ 737,795</u>

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

BUNCOMBE COUNTY, NORTH CAROLINA

Exhibit 13

Statement of Changes in Fiduciary Net Position

FOR THE YEAR ENDED JUNE 30, 2025

	OPEB Trust Fund	Custodial Funds
<b>ADDITIONS</b>		
Employer contributions	\$ 6,663,764	\$ -
Investment income:		
Interest and dividends	399,092	-
Gain on sales of investments	117,773	-
Net appreciation in fair value of investments	<u>6,080,495</u>	-
Investment income, net	6,597,360	-
Ad valorem taxes collected for other governments	-	107,363,852
Collections on behalf of inmates	-	<u>1,305,458</u>
Total additions	<u>13,261,124</u>	<u>108,669,310</u>
<b>DEDUCTIONS</b>		
Benefit payments	6,663,764	-
Administrative expenses	8,248	-
Tax distributions to other governments	-	107,238,231
Payments on behalf of inmates	-	<u>1,275,456</u>
Total deductions	<u>6,672,012</u>	<u>108,513,687</u>
Change in net position	6,589,112	155,623
<b>NET POSITION</b>		
Beginning, as previously reported	48,029,452	582,172
Ending	<u>\$ 54,618,564</u>	<u>\$ 737,795</u>

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

**BUNCOMBE COUNTY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2025**

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**Note 1 - Summary of Significant Accounting Policies**

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

**(A) Reporting Entity**

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

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

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

**(B) Basis of Presentation, Basis of Accounting**

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

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government net position (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

The County reports the following major enterprise fund:

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

The County reports the following fund types:

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

*Trust Funds:* Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other postemployment benefit plans. The OPEB Trust Fund is used for the accumulation of funds and the payment of other post-employment benefit costs related to health benefits.

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

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

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

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

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

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

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

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

Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the vehicles are registered.

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

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

### **(C) Budgetary Data**

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

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund and the governing board must approve all amendments. The County Manager is authorized by the budget ordinance to transfer appropriations between functional areas within a fund up to \$75,000 per expenditure; however, any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$75,000 per expenditure must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

#### **(1) Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the County, Tourism Development Authority, and Agency to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances, local government investment pools and the North Carolina Capital Management Trust (NCCMT).

The NCCMT Cash Portfolio, North Carolina Local Government Investment Pool (NCLGIP), and North Carolina Cooperative Liquid Assets Securities System (NC CLASS) are SEC-registered 2a7 external investment pools and are measured at amortized cost. The County pools moneys from several funds to facilitate disbursement and

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

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

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

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year-end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2025 of 2.1 years. Level 2 inputs in this case involve inputs – other than quoted prices – included within Level 1 that are either directly or indirectly observable for the asset or liability. The STIF is valued at \$1 per share.

Ownership of the BIF is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. The BIF, which does not have a credit rating, was valued at \$1 per unit, and had an average maturity of 8.11 years at June 30, 2025.

The EIF, is a common trust fund considered to be commingled in nature. The Fund's fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2025, the fair value of the fund was \$44.3339 per share. Fair value for this fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

## **(2) Cash and Cash Equivalents**

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

**(3) Restricted Assets**

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

The amount of unspent resources obtained from the Opioid Settlement are restricted to use for specific purposes (i.e., opioid remediation). Accordingly, the assets from the settlement that remain on hand are reported as restricted assets.

Governmental Activities:		
General Fund	Unexpended bond proceeds	\$ 264,362
General Fund	Reserve for tax reappraisal	420,029
General Fund	Payables from restricted cash	57,251
Opioid Settlement Fund	Unexpended settlement proceeds	3,886,174
Opioid Settlement Fund	Payables from restricted cash	158,705
Grant Projects Fund	Unexpended grant proceeds	10,586,055
Grant Projects Fund	Payables from restricted cash	377,941
County Capital Projects Fund	Unexpended bond proceeds	16,754,329
County Capital Projects Fund	Payables from restricted cash	894,674
Public School Capital Needs Fund	Unexpended bond proceeds	12,229,469
Public School Capital Needs Fund	Payables from restricted cash	1,500,702
AB Tech Capital Projects Fund	Unexpended bond proceeds	4,061
AB Tech Capital Projects Fund	Payables from restricted cash	157,994
Other Governmental Funds	Unexpended bond proceeds	9,078,995
Other Governmental Funds	Payables from restricted cash	2,838,797
Total Governmental Activities		<u>\$ 59,209,538</u>
Business-Type Activities		
Solid Waste Disposal	Unexpended bond proceeds	\$ 2,960,424
Total Business-Type Activities		<u>\$ 2,960,424</u>
Total restricted cash		<u><u>\$ 62,169,962</u></u>

**(4) Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2025.

**(5) Lease Receivable**

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

**(6) Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years and the age of individual outstanding balances.

Since the County now has several years of experience related to the Opioid Settlement, the County has decided not to estimate an allowance for uncollectible accounts. Given the fact there is no historical information to serve as a

basis of the calculation and there haven't been any bankruptcies thus far to establish a going concern issue, the County believes it reasonable to expect full collection. The County will monitor this situation and review this procedure in future years.

#### **(7) Inventories and Prepaid Items**

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

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

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

#### **(8) Capital Assets**

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

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

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

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

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

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

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

**(9) Deferred Outflows/Inflows of Resources**

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

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

**(10) Long-term Obligations**

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

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

**(11) Compensated Absences**

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

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

**(12) Opioid Settlement Funds**

In April 2022, drug manufacturer Johnson & Johnson, and three drug distributors, McKesson, AmericourceBergen, and Cardinal Health, finalized a \$26 billion-dollar nationwide settlement related to multiple opioid lawsuits. These funds will be disbursed to each participating state over an 18-year period according to an allocation agreement reached with all participating states. The majority of these funds are intended for opioid abatement and the distribution of the funds will be front loaded. The County received \$2,707,191 as part of this settlement in Fiscal Year 2025. An additional \$19,008,208 is recorded as a deferred inflow of resources in the Opioid Settlement Fund. This amount represents opioid settlement funds that are expected but not available. No allowance has been booked against the receivable as the County anticipates receiving all of these funds. The County will continue to monitor each settlement party for any collection issues. Currently, no allowance is considered necessary. Per the terms of the Memorandum of Agreement (MOA), the County created a special revenue fund, the Opioid Settlement Fund, to account for these funds. All funds are to be used for opioid abatement and remediation activities.

**(13) Reimbursements for Pandemic Related Expenditures**

In FY 2021, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. The County was allocated \$50,733,290 of fiscal recovery funds to be paid in two equal installments. The first installment of \$25,366,645 was received in May 2021. The second installment was received in June 2022.

The Board of Commissioners elected to obligate and spend ARPA funds for the following US Treasury categories; \$6,988,530 on public health, \$25,843,777 on negative economic impacts, \$1,909,250 on negative economic impacts related to public sector capacity, \$1,023,751 on premium pay, \$9,360,688 for revenue replacement, \$5,581,699 for administrative work and transfers to other government units, and \$25,595 on emergency relief from natural disasters.

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

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

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

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

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

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

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

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

Restricted for general government as detailed below:

*Restricted for Register of Deeds:* Fund balance of \$599,293 restricted by revenue source for Register of Deeds related automation expenditures per G.S. 161-11.3.

*Restricted for tax reappraisal:* Fund balance of \$372,776 restricted for expenditures related to tax reappraisal per G.S. 153A-150.

*Restricted for economic and physical development:*

Fund balance of \$6,322,695 restricted by revenue source to the support of the Permits and Inspections department per G.S. 153A-354, \$9,078,705 represents unspent bond proceeds to be used for housing and open space projects, \$39,820 restricted by revenue source for soil conservation activities, and \$52,066 restricted by revenue source to paying debt service of the PDF Woodfin Downtown Fund.

*Restricted for human services:*

Fund balance of \$514,580 restricted by revenue source for human service activities of the Buncombe County Service Foundation, \$126,737 that can only be used for beneficiaries under the Social Security's Representative Payee Program, and \$6,042,954 restricted by revenue source to addressing the opioid crisis.

*Restricted for library:* Fund balance of \$958,261 restricted for the libraries by the donor.

*Restricted for public safety:* Fund balance of \$1,964,679 restricted by revenue source for public safety purposes.

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

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

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

Assigned for education: Portion of fund balance that has been designated by the Board of Commissioners for early childhood education initiatives.

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

Assigned for economic and physical development projects: Portion of fund balance in the Housing/Open Space Bond Projects fund that has been designated by the Board of Commissioners.

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

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

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

#### **(15) Defined Benefit Pension and OPEB Plans**

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

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

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

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column)	\$ 224,777,902
Right to use assets used in governmental activities are not financial resources and are therefore not reported in the funds	12,136,243
Net pension asset	358,856
Pension and other post-employment benefit activity relating to deferred outflows and inflows is not used or reported in the funds	28,333,737
Accrued interest receivable on long-term loans and investments reported in the government-wide activities, but not in the fund statements	599,076
Deferred inflows of resources for unavailable revenues are reported in the fund statements but not the government-wide statements	31,807,107
The assets and liabilities of the internal service fund, which is used by management to charge the cost of insurance to individual funds, are included in governmental activities in the statement of net position	20,844,600
Deferred inflows and outflows related to advance refunding bonds issued – included on government-wide statement of net position, but not in the fund statements	(7,938,759)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds and installment financing	(386,275,728)
Lease liabilities	(4,480,238)
Subscription Liabilities	(6,625,183)
Compensated absences	(14,477,798)
Total pension liability - LEOSSA	(9,370,724)
Net OPEB liability	(66,534,977)
Net pension liability - LGERS	(92,621,554)
Pension spiking liability	(1,697,651)
Accrued interest payable	(1,574,038)
Total	<u>\$ (272,739,129)</u>

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

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements, but capitalized as assets in the statement of activities.	22,781,446
Cost of disposed capital assets not recorded in fund statements	(418,899)
Depreciation and amortization expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	(19,733,491)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	26,229,658
A portion of expense activity related to the Local Government Employee Retirement System, the Law Enforcement Special Separation Allowance, the Register of Deeds' Supplemental Pension Fund, and other post-employment benefits is not reported in the governmental funds and is included in the Statement of Activities:	
Local Government Employee Retirement System expense adjustment	(9,787,484)
Law Enforcement Special Separation Allowance expense adjustment	(310,746)
Register of Deeds' Supplemental Pension Fund expense adjustment	(47,075)
Other post-employment benefit expense adjustment	11,530,511
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Compensated absences	(2,278,095)
Pension spiking liability	(924,842)
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Difference in interest revenue between fund statements (modified accrual) and government-wide statements (full accrual)	144,945
Increase of deferred inflows of resources – taxes receivable	590,920
Increase of deferred inflows of resources – EMS receivable	698,593
Increase in deferred inflows of resources - grant receivables	4,183,825
Decrease in deferred inflows of resources - other receivables	(1,631,612)
Net expense, including transfers, of internal service funds determined to be governmental type	(1,610,782)
Total	<u>\$ 29,416,872</u>

**(F) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

At June 30, 2025, the Grant Projects Fund, a major fund, has a deficit fund balance of \$10,722,497. The deficit is related to grants for which there were expenditures, but no recorded revenue since reimbursement was not received and available as a current resource within the year or period of accrual after year end. The largest deficit in FY25 was the FEMA grant related to Hurricane Helene which resulted in expenditures in excess of \$7,172,608 over revenues. The Grant Projects Fund deficit also includes an excess of \$3,564,236 of expenditures over revenues related to the Enka Recreation Destination grant. Both grants will receive additional revenues once certain milestones are achieved and they are eligible for reimbursement. This will resolve over time when grant projects are closer to completion and all funds are received.

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

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

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

At June 30, 2025, the County's (including Asheville-Buncombe Air Quality) deposits had a carrying amount of \$78,510,854 and a bank balance of \$78,539,013. Of the bank balance, \$25,454,995 was covered by federal depository insurance and \$53,114,018 was covered by collateral held under the Pooling Method. These amounts include \$1,680,242 held by the County in its fiduciary capacity for its custodial funds. At June 30, 2025, Buncombe County had \$10,750 cash on hand.

At June 30, 2025, the Tourism Development Authority's deposits had a carrying amount of \$22,133,859 and a bank balance of \$22,224,502. Of the bank balance, \$15,954,443 was covered by federal depository insurance and \$6,270,059 was covered by collateral held under the Pooling Method.

**(2) Investments**

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

Investment Type	Valuation Measurement Method	Fair Value	Less Than 6		
			Months	6-12 Months	1-3 Years
US Treasuries	Fair Value-Level 1	\$ 9,244,293	\$ 3,996,390	\$ 4,242,643	\$ 1,005,260
US Government agencies	Fair Value-Level 2	8,274,972	1,250,812	5,010,240	2,013,920
NCCMT - Government Portfolio	Fair Value-Level 1	49,864,244	49,864,244	-	-
NC CLASS	Fair Value-Level 1	100,249,036	100,249,036	-	-
NC Investment Pool	Fair Value-Level 1	27,915,557	27,915,557	-	-
Total		<u>\$ 195,548,101</u>	<u>\$ 183,276,038</u>	<u>\$ 9,252,883</u>	<u>\$ 3,019,180</u>

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

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets. Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

At June 30, 2025, the Tourism Development Authority’s investments consisted of \$54,352,822 in the North Carolina Capital Management Trust’s Government Portfolio, Fair Value-Level 1, with a maturity of less than 6 months.

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

	Primary Government	Tourism Development Authority	Asheville-Buncombe Air Quality
Deposits	\$ 78,510,854	\$ 22,133,860	\$ -
Cash on hand	10,750	-	-
Investments	195,548,101	54,352,822	-
	<u>274,069,705</u>	<u>76,486,682</u>	<u>-</u>
Reported in Component Units	(713,601)	-	713,601
	<u>\$ 273,356,104</u>	<u>\$ 76,486,682</u>	<u>\$ 713,601</u>
Reported on government-wide statement of net position:			
Cash and investments	\$ 209,505,900	\$ 76,486,682	\$ 713,601
Restricted cash and investments	62,169,962	-	-
	<u>271,675,862</u>	<u>\$ 76,486,682</u>	<u>\$ 713,601</u>
Reported in custodial funds:			
Cash and investments	1,680,242		
	<u>\$ 273,356,104</u>		

**Interest Rate Risk**

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

**Credit Risk**

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

**Custodial Credit Risk**

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

**Concentration of Credit Risk**

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

**State Treasurer’s OPEB Fund**

At June 30, 2025, the Buncombe County Healthcare Benefits (HCB) Plan Fund had \$54,618,564 invested in the State Treasurer’s Local Government Other Post-Employment Benefits (OPEB) Fund pursuant to G.S. 159-30.1. The State Treasurer’s OPEB Fund may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to the General Statutes.

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

	<u>Fair Value</u>	<u>Percent of Total</u>
State Treasurer’s Long-Term Investment Fund (BIF)	\$ 3,292,047	6.03%
State Treasurer’s Short-Term Investment Fund (STIF)	8,780,105	16.08%
BlackRock’s MSCI ACWI EQ Index Non-Lendable Class B Fund	42,546,412	77.89%
Total	<u>\$ 54,618,564</u>	<u>100.00%</u>

**Interest Rate Risk**

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

**Credit Risk**

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

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

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

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

Fiscal Year	Levied	Tax	Interest	Total
2022		\$ 4,208,877	\$ 999,608	\$ 5,208,485
2023		4,232,958	624,361	4,857,319
2024		4,215,614	242,398	4,458,012
2025		3,995,731	-	3,995,731
Total		<u>\$ 16,653,180</u>	<u>\$ 1,866,367</u>	<u>\$ 18,519,547</u>

**(4) Receivables**

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

	Accounts	Taxes and Related Accrued Interest	Due From Other Governments	Leases	Long-term Loans	Total
<b>Governmental Activities:</b>						
General	\$ 11,814,949	\$ 4,336,637	\$ 19,264,819	\$ 10,963,728	\$ 484	\$ 46,380,617
Occupancy Tax	-	2,639,153	-	-	-	2,639,153
Special Taxing Districts	-	508,965	4,539,855	-	-	5,048,820
Opioid Settlement	21,164,988	1,655	-	-	-	21,166,643
Grant Projects	34,194	6,797	8,305,003	-	-	8,345,994
Public School Capital Needs	-	-	7,542,622	-	-	7,542,622
AB Tech Capital Projects	39,850	8,725	5,140,447	-	-	5,189,022
Public Schools ADM	115,252	-	5,886,906	-	-	6,002,158
County Capital Projects	321,839	-	-	-	-	321,839
Special Projects Capital Projects	35,179	493,044	-	-	9,548,881	10,077,104
Internal Service Fund	489,100	-	-	-	-	489,100
Other Governmental	65,629	14,477	2,289,181	-	6,468,782	8,838,069
	<u>34,080,980</u>	<u>8,009,453</u>	<u>52,968,833</u>	<u>10,963,728</u>	<u>16,018,147</u>	<u>122,041,141</u>
Allowance for doubtful accounts	(3,720,594)	(789,618)	-	-	-	(4,510,212)
Total - governmental activities	<u>\$ 30,360,386</u>	<u>\$ 7,219,835</u>	<u>\$ 52,968,833</u>	<u>\$ 10,963,728</u>	<u>\$ 16,018,147</u>	<u>\$ 117,530,929</u>
<b>Business-type Activities</b>						
Solid Waste Disposal	\$ 1,206,552	\$ -	\$ 209,585	\$ -	\$ -	\$ 1,416,137
Other Business-type	9,564	-	30,000	-	-	39,564
	<u>1,216,116</u>	<u>-</u>	<u>239,585</u>	<u>-</u>	<u>-</u>	<u>1,455,701</u>
Allowance for doubtful accounts	(11,557)	-	-	-	-	(11,557)
Total - business-type activities	<u>\$ 1,204,559</u>	<u>\$ -</u>	<u>\$ 239,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,444,144</u>

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

Local option sales tax	\$ 35,160,129
Other	17,808,704
Total	<u>\$ 52,968,833</u>

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

As of 06/30/2025, Buncombe County, NC had 7 active leases. The leases have receipts that range from \$9,923 to \$1,088,841 and interest rates that range from 1.0830% to 4.1500%. As of 06/30/2025, the total combined value of the lease receivable is \$10,963,728, and the combined value of the deferred inflow of resources is \$10,987,084. The principal and interest expected to maturity on these leases is as follows:

Year Ending	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
<u>June 30</u>		
2026	\$ 1,205,261	\$ 146,336
2027	1,221,709	129,888
2028	1,238,455	113,142
2029	1,264,377	96,053
2030	1,294,646	78,547
2031 - 2035	4,739,280	132,391
Total	<u>\$ 10,963,728</u>	<u>\$ 696,357</u>

**(5) Capital Assets**

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

<b>Governmental Activities</b>	Restated Beginning Balances	Increases	Decreases	Adjustments/ Transfers	Ending Balances
Capital assets not being depreciated:					
Land	\$ 21,587,883	\$ -	\$ -	\$ -	\$ 21,587,883
Construction in progress	11,285,449	20,007,347	13,302,749	-	17,990,047
Total assets not being depreciated	<u>32,873,332</u>	<u>20,007,347</u>	<u>13,302,749</u>	<u>-</u>	<u>39,577,930</u>
Capital assets being depreciated					
Buildings	224,409,659	4,086,494	598,575	-	227,897,578
Other improvements	116,806,751	-	-	-	116,806,751
Equipment	32,365,058	3,805,390	327,464	-	35,842,984
Intangibles	4,257,906	-	-	-	4,257,906
Vehicles	22,275,857	8,184,964	2,459,384	(20,076)	27,981,361
Total assets being depreciated	<u>400,115,231</u>	<u>16,076,848</u>	<u>3,385,423</u>	<u>(20,076)</u>	<u>412,786,580</u>
Less accumulated depreciation for:					
Buildings	116,181,655	6,550,165	469,596	-	122,262,224
Other improvements	53,588,612	5,257,043	-	-	58,845,655
Equipment	24,729,492	1,211,545	216,582	-	25,724,455
Intangibles	3,413,140	412,489	-	-	3,825,629
Vehicles	16,521,889	2,707,178	2,280,346	(20,076)	16,928,645
Total accumulated depreciation	<u>214,434,788</u>	<u>16,138,420</u>	<u>2,966,524</u>	<u>(20,076)</u>	<u>227,586,608</u>
Total capital assets being depreciated, net	<u>185,680,443</u>	<u>(61,572)</u>	<u>418,899</u>	<u>-</u>	<u>185,199,972</u>
Capital asset being amortized:					
Right to use assets:					
Leased land	646,145	-	-	-	646,145
Leased buildings	705,308	-	196,897	-	508,411
Leased equipment	2,614,177	-	-	-	2,614,177
Leased infrastructure	900,846	-	-	-	900,846
Leased vehicles	-	1,053,182	-	-	1,053,182
IT subscriptions	9,472,032	5,360,642	2,518,562	-	12,314,112
Total assets being amortized	<u>14,338,508</u>	<u>6,413,824</u>	<u>2,715,459</u>	<u>-</u>	<u>18,036,873</u>
Less accumulated amortization:					
Right to use assets:					
Leased land	82,046	27,348	-	-	109,394
Leased buildings	254,929	111,438	196,897	-	169,470
Leased equipment	545,168	341,958	-	-	887,126
Leased infrastructure	169,792	56,598	-	-	226,390
Leased vehicles	-	98,993	-	-	98,993
IT subscriptions	3,969,083	2,958,736	2,518,562	-	4,409,257
Total accumulated amortization	<u>5,021,018</u>	<u>3,595,071</u>	<u>2,715,459</u>	<u>-</u>	<u>5,900,630</u>
Total capital assets being amortized, net	<u>9,317,490</u>	<u>2,818,753</u>	<u>-</u>	<u>-</u>	<u>12,136,243</u>
Governmental activities capital assets, net	<u>\$ 227,871,265</u>				<u>\$ 236,914,145</u>

\* Beginning balances were restated for an error correction (see Note 9)

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

<b>Governmental Activities</b>	
General government	\$ 10,779,475
Public safety	4,893,196
Economic and physical development	133,331
Human services	2,571,525
Cultural and recreational	1,355,964
Total depreciation and amortization expense	<u>\$ 19,733,491</u>

<b>Business-Type Activities</b>	<b>Beginning Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Adjustments/ Transfers</b>	<b>Ending Balances</b>
<b>Solid Waste Disposal</b>					
Capital assets not being depreciated:					
Land	\$ 6,842,138	\$ -	\$ -	\$ -	\$ 6,842,138
Construction in progress	-	409,341	409,341	-	-
Total capital assets not being depreciated	6,842,138	409,341	409,341	-	6,842,138
Capital assets being depreciated:					
Buildings and improvements	70,400,677	146,880	-	-	70,547,557
Equipment	5,692,710	369,589	356,879	-	5,705,420
Vehicles	2,568,237	177,629	1,041,687	20,076	1,724,255
Total capital assets being depreciated	78,661,624	694,098	1,398,566	20,076	77,977,232
Less accumulated depreciation for:					
Buildings and improvements	40,396,407	2,340,171	-	-	42,736,578
Equipment	3,257,921	427,160	163,391	-	3,521,690
Vehicles	1,887,267	89,237	552,968	20,076	1,443,612
Total accumulated depreciation	45,541,595	2,856,568	716,359	20,076	47,701,880
Total capital assets being depreciated, net	33,120,029	(2,162,470)	682,207	-	30,275,352
Capital asset being amortized:					
Right to use assets:					
Leased equipment	2,782,691	376,681	1,439,545	-	1,719,827
Total assets being amortized	2,782,691	376,681	1,439,545	-	1,719,827
Less accumulated amortization:					
Right to use assets:					
Leased equipment	1,296,287	586,576	1,439,545	-	443,318
Total accumulated amortization	1,296,287	586,576	1,439,545	-	443,318
Total capital assets being amortized, net	1,486,404	(209,895)	-	-	1,276,509
Solid Waste Disposal capital assets, net	41,448,571				38,393,999
<b>Other Business-Type Activities</b>					
Capital assets being depreciated:					
Equipment	323,527	-	-	-	323,527
Vehicles	29,129	-	-	-	29,129
Total capital assets being depreciated	352,656	-	-	-	352,656
Less accumulated depreciation for:					
Equipment	136,682	25,888	-	-	162,570
Vehicles	29,129	-	-	-	29,129
Total accumulated depreciation	165,811	25,888	-	-	191,699
Total capital assets being depreciated, net	186,845	(25,888)	-	-	160,957
Other Business-type capital assets, net	186,845				160,957
Business-type capital assets, net	\$ 41,635,416				\$ 38,554,956

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

	Governmental Activities	Business-Type Activities	Total
Capital assets, net	\$ 236,914,145	\$ 38,554,956	\$ 275,469,101
Total	236,914,145	38,554,956	275,469,101
Debt:			
General obligation bonds	(16,390,000)	-	(16,390,000)
Installment notes (including deferrals)	(377,824,487)	(10,204,000)	(388,028,487)
Lease installment obligations	(4,480,238)	(1,309,831)	(5,790,069)
Subscription installment obligations	(6,625,183)	-	(6,625,183)
Capital accounts payable	(1,999,008)	(4,912)	(2,003,920)
Retainage payable	(1,271,815)	-	(1,271,815)
Gross debt	(408,590,731)	(11,518,743)	(420,109,474)
Add portion of debt that has not given rise to capital assets:			
Unspent bond proceeds	17,018,691	2,960,424	29,058,110
Debt relating to schools and community college	212,963,239	-	212,963,239
Debt relating to economic development	24,959,691	-	24,959,691
Net debt	(153,649,110)	(8,558,319)	(153,128,434)
Capital assets, net of related debt	\$ 83,265,035	\$ 29,996,637	\$ 122,340,667

**Construction commitments**

The County has the following commitments with contractors for active construction projects at June 30, 2025:

Project	Spent-to-date	Remaining Commitment
AHS - Main Bldg Water & Sewer	\$ 1,993,598	\$ 1,078,479
AHS Track - Asheville High Fencing	1,277,246	8,348
Apparatus Building Generator	-	89,950
Asheville High Arts Bldg HVAC Piping & Abatement	796,589	1,300,620
Big Ivy Community Center	-	87,946
Capital Plan Maintenance	-	127,800
FY20 Fleet & General Services Complex	6,179,299	3,163,051
FY20 Enka Site TCC Roofs	5,195,988	94,531
FY21 Courthouse Repairs	367,525	17,115
FY21 Solar on Public Facilities	10,804,121	12,837
FY23 AB Tech Parking Lot Green Infrastructure Retrofit	447,463	22,189
FY23 AB Tech Chestnut Stormwater Control Measures	-	187,762
FY23 Buncombe County Courthouse Electrical Upgrades	269,780	370,110
FY23 County Courthouse Renovation & Repair Preconstruction	117,068	51,780
FY23 Lake Julian Bathroom Additions	86,183	18,750
FY23 Solar on Schools & Public Buildings	1,329,850	133,000
FY23 South Buncombe Library Parking Lot Improvements	-	367,831
FY24 35 Woodfin Renovation for Forward Facing Facility	3,272,659	437,729
FY24 County Courthouse Renovation & Repair	180,300	249,451
FY24 Hall Fletcher - Campus Wide Projects	54,181	11,097
FY25 35 Woodfin 911 Backup Center Renovation	2,197,093	549,977
FY25 ACS - General Security Upgrades	6,789,341	1,373,824
FY25 Countywide Roofing & Parking Decks Renovation & Repair	-	361,800
FY25 Detention Center Dryer Installation	211,263	52,335
FY25 Detention Center Facility Assessment Renovation & Repair	167,098	602,313
Total construction commitments	<u>\$ 41,736,645</u>	<u>\$ 10,770,625</u>

**Discretely presented component units**

Capital asset activity for Asheville-Buncombe Air Quality Agency for the year ended June 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Adjustments/Tr ansfers	Ending Balances
Capital assets being depreciated:					
Equipment	\$ 151,917	\$ 80,315	\$ -	\$ -	\$ 232,232
Vehicles	46,430	66,048	-	-	112,478
Total capital assets being depreciated	<u>198,347</u>	<u>146,363</u>	<u>-</u>	<u>-</u>	<u>344,710</u>
Less accumulated depreciation for:					
Equipment	39,011	44,707	-	-	83,718
Vehicles	46,430	5,471	-	-	51,901
Total accumulated depreciation	<u>85,441</u>	<u>\$ 50,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>135,619</u>
Asheville-Buncombe Air Quality capital assets, net	<u>\$ 112,906</u>				<u>\$ 209,091</u>

**(B) Liabilities**

**(1) Payables**

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

	Vendors	Retainage	Salaries and Benefits	Total
Governmental Activities				
General	\$ 4,398,506	\$ -	\$ 7,603,182	\$ 12,001,688
Special Taxing District	6,458,436	-	-	6,458,436
Opioid Settlement	158,705	-	-	158,705
Grant Projects	2,087,547	-	73,460	2,161,007
Public School Capital Needs	1,208,421	370,525	-	1,578,946
AB Tech Capital Projects	195,366	157,994	-	353,360
Public Schools ADM Sales Tax/Lottery Projects	5,886,906	-	-	5,886,906
County Capital Projects	1,514,062	484,946	-	1,999,008
Special Projects Capital Projects	3,652,093	-	-	3,652,093
Internal Service Fund	2,568,954	-	16,483	2,585,437
Other Governmental	2,510,743	786,868	-	3,297,611
Total	30,639,739	1,800,333	7,693,125	40,133,197
Governmental Activities	2,187,685	-	-	2,187,685
Total - governmental activities	<u>\$ 32,827,424</u>	<u>\$ 1,800,333</u>	<u>\$ 7,693,125</u>	<u>\$ 42,320,882</u>
Business-type Activities				
Solid Waste Disposal	\$ 668,094	\$ -	\$ 140,717	\$ 808,811
Other Business-type	476,262	-	9,094	485,356
Total - business-type activities	<u>\$ 1,144,356</u>	<u>\$ -</u>	<u>\$ 149,811</u>	<u>\$ 1,294,167</u>

**(2) Pension Plan and Other Postemployment Obligations**

**(a) Local Governmental Employees' Retirement System**

1. Plan Description.

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

2. Benefits Provided.

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

who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the General Assembly.

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

3. Contributions.

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. County employees are required to contribute 6% of their compensation. Employer contribution rates are set periodically and affirmed annually by the LGERS Board of Trustees. The County's contractually required contribution rate for the year ended June 30, 2025 was 15.04% of compensation for law enforcement officers and 13.63% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the County were \$18,398,785 for the year ended June 30, 2025.

4. Refunds of Contributions.

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

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

At June 30, 2025, the County reported a liability of \$94,458,795 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 using update procedures incorporating the actuarial assumptions. The County's proportion of the net pension liability was based on a projection of the County's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the County's proportion was 1.401% (measured as of June 30, 2024), which was a increase of 0.039% from its proportion as of June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the County recognized pension expense of \$9,924,049. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,552,758	\$ 111,294
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	12,841,617	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	467,541	582,785
Employer contributions subsequent to the measurement date	18,398,785	-
<b>Total</b>	<b>\$ 48,260,701</b>	<b>\$ 694,079</b>

Deferred outflows of resources related to pensions of \$18,398,785 resulting from County contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 8,806,591
2027	18,665,983
2028	3,147,285
2029	(1,452,022)
	<u>\$ 29,167,837</u>

At June 30, 2025, the Asheville-Buncombe Air Quality Agency reported a liability of \$300,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 using update procedures incorporating the actuarial assumptions. The Agency’s proportion of the net pension liability was based on a projection of the Agency’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2025, the Agency’s proportion was 0.0045% (measured as of June 30, 2024), which was a decrease of 0.0001% from its proportion measured at June 30, 2024 (measured as of June 30, 2023).

For the year ended June 30, 2025, the Agency recognized pension expense of \$24,370. At June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,594	\$ 354
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	40,803	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,984	4,732
Employer contributions subsequent to the measurement date	83,197	-
<b>Total</b>	<b>\$ 204,578</b>	<b>\$ 5,086</b>

Deferred outflows of resources related to pensions of \$83,197 resulting from Agency contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2026	\$	41,671
2027		65,467
2028		13,771
2029		(4,614)
	<u>\$</u>	<u>116,295</u>

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

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Opportunistic Fixed Income	7.0%	5.3%
Inflation Sensitive	6.0%	4.3%
Total	100.0%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real

rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability in the December 31, 2023 valuation was 6.50%, which is the same as the December 31, 2022 valuation. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the County’s and Agency’s proportionate shares of the net pension asset calculated using the discount rate of 6.50%, as well as what the County’s and Agency’s proportionate shares of the net pension asset or net pension liability would be if they were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
County’s proportionate share of the net pension liability	<u>\$ 167,383,751</u>	<u>\$ 94,458,795</u>	<u>\$ 34,467,990</u>
Asheville-Buncombe Air Quality Agency’s proportionate share of the net pension liability	<u>\$ 531,839</u>	<u>\$ 300,130</u>	<u>\$ 109,517</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

**(b) Law Enforcement Officers’ Special Separation Allowance**

1. Plan Description.

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

All full-time County law enforcement officers are covered by the Separation Allowance. At June 30, 2024, the date of the most recent actuarial valuation, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	46
Active plan members	<u>213</u>
Total	<u>259</u>

2. Summary of Significant Accounting Policies.

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

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

3. Actuarial Assumptions.

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

Inflation	2.50%
Salary increases	3.25% including inflation and productivity factor
Discount rate	4.28%

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

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

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

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

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

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

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

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

4. Contributions.

The County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefits on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administrative costs of the Separation Allowance are paid as they come due. The County paid \$662,391 as benefits came due for the measurement period.

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

At June 30, 2025, the County reported a total pension liability of \$9,370,724. The total pension liability was measured as of December 31, 2024, based on a June 30, 2024 actuarial valuation. The total pension liability was rolled forward to December 31, 2024 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2025, the County recognized pension expense of \$959,990.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 99,505	\$ 491,740
Changes in assumptions	696,811	1,206,363
County benefit payments and administrative expenses paid subsequent to the measurement date	326,384	-
Total	<u>\$ 1,122,700</u>	<u>\$ 1,698,103</u>

The County paid \$324,384 in benefit payments and \$2,000 in admin expenditures subsequent to the measurement date that are reported as deferred outflows of resources related to pensions which will be recognized as a decrease of the total pension liability in the year ended June 30, 2026.

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

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase to Pension Expense
2026	\$ 901,845	\$ 594,097	\$ 307,748
2027	76,155	573,755	(497,600)
2028	76,155	454,712	(378,557)
2029	68,545	75,539	(6,994)
2030	-	-	-
	<u>\$ 1,122,700</u>	<u>\$ 1,698,103</u>	<u>\$ (575,403)</u>

*Sensitivity of the County’s total pension liability to changes in the discount rate.* The following presents the County’s total pension liability calculated using the discount rate of 4.28 percent, as well as what the County’s total pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current rate:

	1% Decrease (3.28%)	Current Discount Rate (4.28%)	1% Increase (5.28%)
County’s total pension liability	<u>\$ 10,119,492</u>	<u>\$ 9,370,724</u>	<u>\$ 8,687,514</u>

Schedule of Changes in Total Pension Liability

Total pension liability as of December 31, 2023	\$ 10,057,358
Changes for the year:	
Service cost at end of year	439,886
Interest	366,794
Difference between expected & actual experience	(459,286)
Changes of assumptions and other inputs	(371,637)
Benefit payments	(662,391)
Net changes	<u>(686,634)</u>
Total pension liability as of December 31, 2024	<u>\$ 9,370,724</u>

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

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

**(c) Supplemental Retirement Income Plan for Law Enforcement Officers**

1. Plan Description.

The County contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

2. Funding Policy.

Article 12E of G.S. Chapter 143 requires the County contribute each month an amount equal to 5% of each officer's salary. The County has opted to fund at an amount equal to 8%. All amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The County contributed \$1,282,451 for the reporting year. No amounts were forfeited.

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

1. Plan Description.

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

2. Funding Policy.

The Board of Commissioners has directed that the County contribute each month an amount equal to 8% of each qualified non-law enforcement employee's salary which is vested immediately. Also, the employees may elect to make voluntary contributions to the plan. The County contributed \$8,523,428 for the reporting year. No amounts were forfeited.

**(e) Register of Deeds' Supplemental Pension Fund**

1. Plan Description.

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

2. Benefits Provided.

An individual's benefits for the year are calculated as a share of accumulated contributions available for benefits for that year, subject to certain statutory limits. An individual's eligibility is based on at least 10 years of service

as a register of deeds with the individual’s share increasing with years of service. Because of the statutory limits noted above, not all contributions available for benefits are distributed.

3. Contributions.

Benefits and administrative expenses are funded by investment income and 1.5% of the receipts collected by each County Commission under Article 1 of Chapter 161 of the North Carolina General Statutes. The statutory contribution currently has no relationship to the actuary’s required contribution. The actuarially determined contribution this year and for the foreseeable future is zero. Registers of Deeds do not contribute. Contribution provisions are established by General Statute 161-50 and may be amended only by the North Carolina General Assembly. Contributions to the pension plan from the County were \$23,717 for the year ended June 30, 2025.

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

At June 30, 2025, the County reported an asset of \$358,856 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The County’s proportion of the net pension asset was based on the County’s share of contributions to the pension plan, relative to contributions to the pension plan of all participating RODSPF employers. At June 30, 2025, the County’s proportion was 3.114%, which was an increase of 0.429% from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the County recognized pension expense of \$47,075. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,879	\$ 6,415
Net difference between projected and actual earnings on pension plan investments	138,585	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,771	50,258
Employer contributions subsequent to the measurement date	23,717	-
Total	<u>\$ 188,952</u>	<u>\$ 56,673</u>

Deferred outflows of resources related to pensions of \$23,717 resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	\$ 60,911
2027	34,571
2028	12,582
2029	498
	<u>\$ 108,562</u>

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

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

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study as of December 31, 2019. Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The adopted asset allocation policy for the RODSPF is 100% in the fixed income asset class. The best estimate of arithmetic real rate of return for the fixed income asset class as of June 30, 2024 is 2.76%.

The information above is based on 30 year expectations developed with the consulting actuary for the 2024 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.25%. All rates of return and inflation are annualized.

*Discount Rate.* The discount rate used to measure the total pension liability in the December 31, 2023 valuation was 3.00% which was the same as the rate used in the December 31, 2022 valuation. The projection of cash flows used to determine the discount rate assumed that System contributions will continue to follow the current funding policy. Based on these assumptions, the System’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
County’s proportionate share of the net pension asset	\$ 237,774	\$ 358,856	\$ 460,848

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

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

The net pension liability (asset) for LGERS and RODSPF was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liability for the Law Enforcement Officers’ Special Separation Allowance (LEOSSA) was measured as of June 30, 2024, with an actuarial valuation date of December 31, 2024.

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

	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
County’s proportionate share of the net pension liability (asset)	\$ 94,458,795	\$ (358,856)	\$ -	\$ 94,099,939
County’s proportion of the net pension liability (asset)	1.40116%	0.42861%	N/A	-
Total pension liability	-	-	\$ 9,370,724	\$ 9,370,724
Pension expense	\$ 28,322,836	\$ 70,792	\$ 959,990	\$ 29,353,618

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

	<u>LGERS</u>	<u>RODSPF</u>	<u>LEOSSA</u>	<u>Total</u>
<b><u>Deferred Outflows of Resources</u></b>				
Differences between expected and actual experience	\$ 16,552,758	\$ 7,879	\$ 99,505	\$ 16,660,142
Changes in assumptions	-	-	696,811	696,811
Net difference between projected and actual earnings on pension plan investments	12,841,617	138,585	-	12,980,202
Changes in proportion and differences between employer contributions and proportionate share of contributions	467,541	18,771	-	486,312
County contributions (LGERS, RODSPF)/benefit payments and administration costs (LEOSSA) subsequent to the measurement date	18,398,785	23,717	326,384	<u>18,748,886</u>
Total				<u>\$ 49,572,353</u>
<b><u>Deferred Inflows of Resources</u></b>				
Differences between expected and actual experience	\$ 111,294	\$ 6,415	\$ 491,740	\$ 609,449
Changes in assumptions	-	-	1,206,363	1,206,363
Changes in proportion and differences between employer contributions and proportionate share of contributions	582,785	50,258	-	<u>633,043</u>
Total				<u>\$ 2,448,855</u>

**(g) Other Post-Employment Benefits**

**Healthcare Benefits**

1. Plan Description.

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

eligible to receive health insurance coverage upon retirement. The plan does not issue a stand-alone report. Management of the HCB Plan is vested with the Buncombe County Board of Commissioners.

Membership of the County’s HCB Plan consisted of the following at June 30, 2024, the valuation date:

	2025
Active plan members	592
Retired participants and beneficiaries	618
Total	1210

**2. Benefits Provided.**

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

**3. Contributions.**

The County pays the cost of retiree health insurance coverage as it comes due. In addition, it is the intent of the Board of Commissioners to fully or partially fund the County’s annual required contributions (ARC) when possible. Determinations are made on an annual basis. For the year ended June 30, 2025, contributions to the plan consisted of \$6,663,764 in retirees’ health insurance benefits.

**4. Investments.**

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

The following was the Board’s adopted asset allocation policy effective as of July 1, 2024:

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

*Rate of return.* For the year ended June 30, 2025, the rate of return on OPEB plan investments, net of OPEB plan investment expenses was 13.72%

5. Net OPEB Liability of the Plan.

The components of the net OPEB liability of the Plan at June 30, 2025 were as follows:

Total OPEB liability	\$ 122,768,062
Plan fiduciary net position	<u>54,618,564</u>
Plan's net OPEB liability	<u>\$ 68,149,498</u>
Plan fiduciary net position as a percentage of the total OPEB liability	44.49%

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Wage inflation	3.25%
Long-term investment rate of return	5.00% net of OPEB plan investment expense, including price inflation
Municipal bond index rate	
Measurement date	4.81%
Single equivalent interest rate, net of OPEB plan investment expense, including price inflation	
Measurement date	5.00%
Healthcare cost trend rates	
Pre-Medicare Medical and Prescription Drug	7.50% for 2025 decreasing to an ultimate rate of 4.50% by 2033
Medicare Medical and Prescription Drug	5.50% for 2025 decreasing to an ultimate rate of 4.50% by 2033

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, adopted by the LGERS Board.

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

Employees of the Asheville-Buncombe Air Quality component unit are eligible for participation in the HCB plan. Allocation of OPEB expense and liability to the component unit is based on the component unit's percentage of salary expense of the total salary expense of the County and Agency. At June 30, 2025 the Asheville-Buncombe Air Quality's Agency's (the Agency) allocation percentage was 0.43%.

At June 30, 2025, the County reported a net OPEB liability of \$67,854,207 and the Agency a liability of \$295,291. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial report measured as of June 30, 2025.

At June 30, 2025 the components of the net OPEB liability of the County and Agency, were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Primary Government</b>			
Balances measured at June 30, 2024	\$ 111,377,958	\$ 47,821,341	\$ 63,556,617
Changes for the year			
Service cost	1,830,528	-	1,830,528
Interest	5,381,932	-	5,381,932
Difference between expected and actual experience	4,069,525	-	4,069,525
Changes in assumptions	-	-	-
Contributions	6,211,055	6,634,890	(423,835)
Net investment income	-	6,560,560	(6,560,560)
Benefit payments	(6,634,890)	(6,634,890)	-
Net change	10,858,150	6,560,560	4,297,590
Primary government balances measured at June 30, 2025	<u>\$ 122,236,108</u>	<u>\$ 54,381,901</u>	<u>\$ 67,854,207</u>
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
<b>Component Unit</b>			
Balances measured at June 30, 2024	\$ 484,701	\$ 208,112	\$ 276,589
Changes for the year			
Service cost	7,966	-	7,966
Interest	23,421	-	23,421
Difference between expected and actual experience	17,710	-	17,710
Changes in assumptions	-	-	-
Contributions	27,030	28,874	(1,844)
Net investment income	-	28,551	(28,551)
Benefit payments	(28,874)	(28,874)	-
Net change	47,253	28,551	18,702
Component unit balances measured at June 30, 2025	<u>\$ 531,954</u>	<u>\$ 236,663</u>	<u>\$ 295,291</u>

For the year ended June 30, 2025, the County recognized OPEB expense of (\$5,248,790) and the Agency (\$92,742). At June 30, 2025, the County and Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Primary Government</b>		
Differences between expected and actual experience	\$ 3,765,268	\$ 1,978,039
Changes of assumptions or other inputs	4,532,392	18,988,808
Net difference between projected and actual earnings on plan investments	-	5,549,606
Total	<u>\$ 8,297,660</u>	<u>\$ 26,516,453</u>
<b>Component Unit</b>		
Differences between expected and actual experience	\$ 16,386	\$ 8,608
Changes of assumptions or other inputs	19,724	82,637
Net difference between projected and actual earnings on plan investments	-	24,151
Total	<u>\$ 36,110</u>	<u>\$ 115,396</u>

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

<b>Amortization Schedules</b>			
<b>Primary Government</b>		<b>Component Unit</b>	
Year ended June 30:		Year ended June 30:	
2026	\$ (11,905,993)	2026	\$ (51,813)
2027	(4,879,355)	2027	(21,234)
2028	(643,742)	2028	(2,801)
2029	(789,703)	2029	(3,438)
	<u>\$ (18,218,793)</u>		<u>\$ (79,286)</u>

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

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
<b>Primary Government</b>			
Net OPEB Liability	\$ 82,507,749	\$ 67,854,207	\$ 55,708,093
<b>Component Unit</b>			
Net OPEB Liability	\$ 359,062	\$ 295,291	\$ 242,434

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

	1% Decrease	Current	1% Increase
<b>Primary Government</b>			
Net OPEB Liability	\$ 54,663,586	\$ 67,854,207	\$ 84,093,029
<b>Component Unit</b>			
Net OPEB Liability	\$ 237,888	\$ 295,291	\$ 365,961

**(h) Other Employment Benefits**

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

**(3) Closure and Postclosure Care Costs**

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

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

**Closed Landfill:**

Landfill Permit Number 11-01: The previous landfill site of the County was closed on September 26, 1997. There is \$514,089 reported as landfill postclosure care liability for this site at June 30, 2025, which represents the projected cost for the remaining 4 years of required postclosure care based on 2025 costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**Landfills in Operation:****Municipal Solid Waste Landfill Permit Number 11-07:**

The \$17,458,941 reported as landfill closure and postclosure care liability at June 30, 2025 represents the cost to close and monitor the 45.61% of the total estimated capacity of this landfill that has been used as of June 30, 2025. The County will recognize the total estimated cost of closure and postclosure care of \$32,214,721 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2025. The County expects to operate this landfill until at least the year 2047. Actual costs may be higher due to inflation, changes in technology or changes in regulations.

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

The County currently operates a C&D landfill with a closure and postclosure care liability of \$5,921,254 reported as of June 30, 2025 representing a cumulative amount reported to date based on the use of 64.64% of the total estimated capacity of this unit. The County will recognize the total estimated cost of closure and postclosure care of \$9,318,664 as the remaining estimated capacity is filled. This amount is based on what it would cost to perform all closure and postclosure care in 2025. The remaining capacity of the C&D landfill is expected to last nearly 6 years. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

**Transfer Station:**

As required by the North Carolina Administrative Code (NCAC) Title 15A Chapter 13 Solid Waste Management Regulations, transfer station owners are required to provide closure cost estimates. The County operates a transfer station with a closure cost liability of \$258,429.

**(4) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources for governmental activities and business-type activities at June 30, 2025 were as follows:

	Governmental Activities	Business-type Activities
Deferred charges on refunding of debt (Note 3)	\$ 1,503,131	\$ -
Deferred outflow related to pensions (Note 3)	48,633,673	938,680
Deferred outflow related to OPEB (Note 3)	8,136,336	161,324
Total deferred outflows of resources	<u>\$ 58,273,140</u>	<u>\$ 1,100,004</u>

Deferred inflows of resources for governmental funds, governmental activities, and business-type activities at June 30, 2025 were as follows:

	Governmental Funds	Governmental Activities	Business-type Activities
Prepaid taxes not yet earned (General Fund)	\$ 1,942,005	\$ 1,942,005	\$ -
Unavailable taxes receivable, net (General Fund)	1,167,841	-	-
Unavailable EMS revenue receivable (General Fund)	3,031,336	-	-
Unavailable taxes receivable, net (Special Revenue)	266,735	-	-
Unavailable receivables, net (General Fund)	64,427	-	-
Unavailable opioid settlement revenues	19,008,208	-	-
Unavailable grants receivable	8,268,560	-	-
Leases	10,987,084	10,987,084	-
Debt refunding related deferrals (Note 3)	-	9,441,890	-
OPEB related deferrals (Note 3)	-	26,000,917	515,536
Pension related deferrals (Note 3)	-	2,435,355	13,500
Total deferred inflows of resources	<u>\$ 44,736,196</u>	<u>\$ 50,807,251</u>	<u>\$ 529,036</u>

**(5) Risk Management**

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

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

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

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

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

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

	2025	2024
Estimated claims payable, beginning	\$ 2,441,957	\$ 1,621,608
Incurred claims and changes in estimates	38,152,921	35,325,377
Claims paid	(38,407,193)	(34,505,028)
Estimated claims payable, ending	<u>\$ 2,187,685</u>	<u>\$ 2,441,957</u>

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

**(6) Contingent Liabilities**

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

**(7) Long-Term Obligations**

**(a) Leases**

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

As of June 30, 2025, Buncombe County, NC had 38 active leases. The leases have payments that range from \$912 to \$292,688 and interest rates that range from 0.4170% to 6.5170%. As of June 30, 2025, the total combined value of the lease liability is \$5,790,069, the total combined value of the short-term lease liability is \$1,067,798.

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

Year Ending	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
<u>June 30</u>						
2026	\$ 715,507	\$ 125,145	\$ 352,291	\$ 37,863	\$ 1,067,798	\$ 163,008
2027	743,777	100,282	364,105	26,049	1,107,882	126,331
2028	706,669	74,271	376,318	13,836	1,082,987	88,107
2029	526,049	51,463	217,117	2,326	743,166	53,789
2030	444,587	31,791			444,587	31,791
2031 - 2035	898,172	59,419			898,172	59,419
2036 - 2040	310,247	15,870			310,247	15,870
2041 - 2045	79,524	4,951			79,524	4,951
2046 - 2050	46,182	1,946			46,182	1,946
2051 - 2052	9,524	99			9,524	99
Total	<u>\$ 4,480,238</u>	<u>\$ 465,237</u>	<u>\$ 1,309,831</u>	<u>\$ 80,074</u>	<u>\$ 5,790,069</u>	<u>\$ 545,311</u>

**(b) General Obligation Bond Indebtedness**

The County issues general obligation bonds for the acquisition and construction of major capital facilities for the County and public schools. All general obligation bonds serviced by the County’s general fund are direct

obligations collateralized by the full faith, credit, and taxing power of the County. In the event of a default, the County agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the County.

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

The 2024 General Obligation Bonds were issued as part of the approved November 2022 ballot measure for bonds to support housing and open space.

General obligation bonds outstanding at June 30, 2025:

	<u>Original Borrowing</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
Governmental Activities					
General Obligation Bonds					
2012B Refunding Bonds	\$ 32,500,000	October 1, 2012	1.70%	2025	\$ 2,400,000
2024 General Obligation Bonds	<u>14,730,000</u>	June 5, 2024	4.850% - 6.000%	2044	<u>13,990,000</u>
	<u>\$ 52,915,000</u>				<u>\$ 16,390,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	3,140,000	782,993
2027	740,000	718,193
2028	740,000	673,793
2029	740,000	629,393
2030	740,000	584,993
2031-2035	3,675,000	2,261,963
2036-2040	3,675,000	1,280,370
2041-2045	<u>2,940,000</u>	<u>367,500</u>
Total	<u>\$ 16,390,000</u>	<u>\$ 7,299,198</u>

The County is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt,(exclusive of funding and refunding bonds, bonds issued for water, gas, or electric power purposes, and bonds issued for certain other specified purposes). The County may have outstanding up to 8% of the appraised value of property subject to taxation. At June 30, 2025, Buncombe County had a legal debt margin of approximately \$3,841,535,205.

**(c) Installment Note Obligations**

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

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

The 2014B Taxable Limited Obligation Bonds were issued to provide funds for construction of a terminal facility to be used by Old Dominion Freight Lines and an office and light manufacturing facility to be used by GE Aviation pursuant to a long-term lease from the County. The 2014B bonds were issued pursuant to the 2010 deed of trust in which the County’s courthouse is pledged as collateral, with an extension of the lien to include the sites where Asheville Middle School and the community college Allied Health Building were to be constructed. If a default occurs, the mortgaged property can be foreclosed, and the proceeds used to pay off the debt. There can be no

assurance that the proceeds will be sufficient to pay the principal and interest due and no deficiency judgment can be rendered against the County if the proceeds are not sufficient to pay off the bonds.

The NC Drinking Water State Revolving Loan, a direct borrowing, was issued by the State of North Carolina to provide funds for the on-going cleanup of the CTS of Asheville, Inc. Superfund Site. The note is payable solely from revenues of the project or benefited systems, or other available funds. If a default occurs, the State may withhold any other monies due to the County and apply them to the payment of this obligation.

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

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

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

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

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

The 2024A Limited Obligation Bonds were issued as a tax-exempt refunding of the 2022B taxable limited obligation bonds. The security and default provisions of the 2024A bonds are the same as the 2022A limited obligation bonds.

The 2024B Limited Obligation Bonds, a direct placement, were issued to provide funds for County, School, and Community College capital projects. The security and default provisions of the 2024B bonds are under the 2015 limited obligation bonds indentured deed of trust which is secured by a mortgage on Asheville High, Montford North Star Academy and the Health and Human Services building.

The 2025 Limited Obligation Bonds were issued as a tax-exempt refunding of the 2015 tax-exempt limited obligation bonds. The security and default provisions of the 2025 bonds are the same as the 2018 limited obligation bonds.

The 2025 State Cashflow Loans for Disaster Response Activities to Local Governments, direct borrowings, were interest-free loans directly from the State of North Carolina, authorized by the General Assembly under the *Disaster Recovery Act of 2024*. The loans were intended to provide immediate financial liquidity to support disaster response and recovery in areas impacted by Hurricane Helene while those jurisdictions await federal funding support. The County received two rounds of cashflow loans during the fiscal year. While the program encourages the best efforts of loan recipients to obtain alternative funding, the County's current payment schedule is independent of other funding sources. Repayment of the loans is on an escalating schedule, meaning an increasing

percentage of the original loan principal amount is due each year, with final repayment due on the fifth anniversary of the first-round loan.

Installment financings outstanding at June 30, 2025:

	<u>Original Borrowing</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding at Year-end</u>
<b>Governmental Activities</b>					
2014B Taxable Limited Obligation Bonds	\$ 28,725,000	February 27, 2014	0.5% - 5.1%	2034	\$ 15,470,000
NC Drinking Water State Revolving Loan	1,964,204	February 6, 2015	0.00%	2035	1,015,683
2018 Limited Obligation Bonds	54,730,000	March 28, 2018	2.5% - 5.0%	2038	35,585,000
2020A Limited Obligation Bonds	56,495,000	April 9, 2020	2.0% - 5.0%	2040	35,070,000
2020B Taxable Limited Obligation Bonds	32,235,000	April 9, 2020	1.48% - 2.6%	2032	22,670,000
2020C Limited Obligation Bonds	10,096,000	October 14, 2020	1.99%	2035	7,210,000
2022A Limited Obligation Bonds	43,961,000	June 22, 2022	2.93%	2037	35,165,000
2024A Limited Obligation Bonds	80,461,000	March 5, 2024	2.93%	2037	72,175,000
2024B Limited Obligation Bonds	61,510,000	June 12, 2024	5.00%	2044	58,095,000
2025 State Cashflow Loan Round 1	8,449,310	March 5, 2025	0.00%	2030	8,449,310
2025 Equipment Installment Financing	3,407,000	April 15, 2025	3.50%	2029	3,407,000
2025 Limited Obligation Bonds	53,770,000	April 24, 2025	5.00%	2035	53,770,000
2025 State Cashflow Loan Round 2	5,575,310	June 20, 2025	0.00%	2030	5,575,310
Total governmental activities	<u>441,378,824</u>				<u>353,657,303</u>
<b>Business-type Activities</b>					
2009 ARRA Loan	4,061,396	August 4, 2009	0.0%	2031	450,000
2022A Limited Obligation Bonds	15,324,000	June 22, 2022	2.93%	2037	7,980,000
2025 Equipment Installment Financing	1,774,000	April 15, 2025	3.50%	2029	1,774,000
Total business-type activities	<u>23,144,396</u>				<u>10,204,000</u>
Total installment financings	<u>\$ 464,523,220</u>				<u>\$ 363,861,303</u>

For Buncombe County, the future minimum payments for installment financings as of June 30, 2025, are:

Year Ending June 30	Governmental Activities		Business-type Activities		Total Primary Government	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 30,473,572	\$ 13,608,671	\$ 3,008,000	\$ 272,793	\$ 33,481,572	\$ 13,881,464
2027	35,742,030	12,229,898	3,072,000	207,978	38,814,030	12,437,876
2028	36,946,492	10,929,864	3,162,000	118,239	40,108,492	11,048,103
2029	38,378,954	9,581,432	437,000	25,795	38,815,954	9,607,227
2030	38,769,414	8,223,711	450,000	13,125	39,219,414	8,236,836
2031-2035	122,715,841	23,905,011	75,000	-	122,790,841	23,905,011
2036-2040	38,841,000	6,766,641	-	-	38,841,000	6,766,641
2041-2045	11,790,000	1,474,250	-	-	11,790,000	1,474,250
Total	<u>\$ 353,657,303</u>	<u>\$ 86,719,478</u>	<u>\$ 10,204,000</u>	<u>\$ 637,930</u>	<u>\$ 363,861,303</u>	<u>\$ 87,357,408</u>

**(d) Subscriptions**

The County has entered into agreements to finance subscriptions that result in an intangible right to use asset and a corresponding liability under GASB 96. These agreements have been recorded at the present value of the future minimum subscription payments as of the date of inception.

As of June 30, 2025, Buncombe County, NC had 18 active subscriptions. The subscriptions have payments that range from \$19,571 to \$906,693 and interest rates that range from 2.0380% to 3.5910%. As of June 30, 2025, the total combined value of the subscription liability is \$6,625,183, and the total combined value of the short-term subscription liability is \$2,586,954.

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

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Governmental Activities</u>	
		<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 2,586,954	\$ 182,665	\$ 2,769,619
2027	1,574,083	114,471	1,688,554
2028	1,198,646	69,379	1,268,025
2029	1,102,479	36,020	1,138,499
2030	52,921	4,331	57,252
2031 - 2033	110,100	4,407	114,507
Total	<u>\$ 6,625,183</u>	<u>\$ 411,273</u>	<u>\$ 7,036,456</u>

**(e) Refundings**

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

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

On March 5, 2024, the County issued \$80,461,000 of series 2024A tax-exempt bonds with an interest rate of 2.93% to refund \$80,461,000 of outstanding series 2022B limited obligation bonds with an interest rate of 3.71%. This transaction represents the County’s exercise of its forward purchase option agreed upon with the bondholder at the time the series 2022B bonds were originally issued on June 22, 2022. Final accrued interest of \$779,444 was paid on the series 2022B bonds at the time of closing. With this refunding, there was zero impact to the net carrying amount of the old debt so there are no reportable impacts from this transaction to the County’s deferred outflows or inflows of resources. The refunding reduced total debt service payments by \$3,742,262 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,329,890.

On April 24, 2025, the County issued \$53,770,000 of series 2025 tax-exempt bonds with an interest rate of 5.00% to refund \$58,270,000 of outstanding series 2015 limited obligation bonds (interest rates ranging from 2.50% to 5.00%). After issue of the bonds, \$59,441,316 was deposited in an irrevocable trust with an escrow agent to provide funds for prepayment in full of all outstanding 2015 bonds on June 1, 2025. This amount represents par proceeds from the 2025 bonds of \$53,770,000, plus premium of (\$4,829,205) and additional County funds (\$1,441,750), less

projected issuance costs (\$599,639). The net carrying amount of the old debt, including related premiums of \$4,653,177, exceeded the reacquisition price by \$5,093,548. This amount is reported as a deferred inflow of resources and amortized over the remaining life of the refunded debt. The refunding reduced total debt service payments by \$4,249,682 to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,100,125.

**(f) Debt Related to Capital Activities**

Of the total Governmental Activities debt listed, only \$129,065,770 relates to assets for which the County holds title. Unspent restricted cash related to this debt amounts to \$38,331,216.

**(g) Pension Spiking Liability**

Pension spiking is a substantial increase in compensation that results in unusually high liabilities to the State's retirement system which, without intervention, would then be absorbed by other members and employers in the System. North Carolina adopted anti-pension spiking laws, effective January 1, 2015, which apply to retirements with an average final salary greater than \$100,000, adjusted annually for inflation. A contribution-based benefit cap (CBBC) is calculated, and if the benefit exceeds the cap, the employer must make an additional contribution to the retirement system. The County's potential spiking liability of \$1,697,651 for current active employees who will be retiring with an average final salary greater than \$134,688, the inflation adjusted amount for 2025, has been recorded on the government-wide statements at June 30, 2025.

**(h) Conduit Debt Obligations**

The Buncombe County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private businesses served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2025, there were industrial revenue bonds outstanding with a principal amount payable of approximately \$4,308,000.

**(i) Long Term Obligation Activity**

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

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025	Current Portion of Balance
<b>Governmental Activities:</b>					
General obligation bonds	\$ 19,530,000	\$ -	\$ 3,140,000	\$ 16,390,000	\$ 3,140,000
Limited obligation bonds	248,535,000	53,770,000	81,645,000	220,660,000	18,210,000
Installment financings-direct borrowing	1,465,253	17,431,620	449,568	18,447,305	771,570
Installment financings-direct placement	126,090,998	-	11,541,000	114,549,998	11,492,002
Premium on long-term debt	18,233,564	4,829,205	6,834,344	16,228,425	-
Lease installment obligations	4,106,562	1,053,188	679,512	4,480,238	715,507
Subscription installment obligations	4,359,758	5,360,644	3,095,219	6,625,183	2,586,954
Total pension liability -- LEOSSA	10,057,358	-	686,634	9,370,724	640,440
Net pension liability -- LGERS	88,303,642	4,317,912	-	92,621,554	-
Net OPEB liability	62,197,513	4,337,464	-	66,534,977	-
Pension spiking liability	772,809	924,842	-	1,697,651	537,197
Compensated absences	12,199,703	2,278,095	-	14,477,798	8,027,794
Total governmental activities	<u>595,852,160</u>	<u>94,302,970</u>	<u>108,071,277</u>	<u>582,083,853</u>	<u>46,121,464</u>
<b>Business-type Activities:</b>					
Installment financings-direct borrowing	\$ 525,000	\$ 1,774,000	\$ 75,000	\$ 2,224,000	\$ 424,000
Installment financings-direct placement	10,490,001	-	2,509,999	7,980,002	2,584,000
Lease installment obligations	1,503,326	376,681	570,176	1,309,831	352,291
Net pension liability -- LGERS	1,892,074	-	54,832	1,837,241	-
Net OPEB liability	1,332,700	-	13,470	1,319,230	-
Compensated absences	281,982	83,782	-	365,766	365,766
Accrued landfill closure and postclosure care costs	22,924,999	1,363,767	136,053	24,152,713	-
Total business-type activities	<u>22,260,417</u>	<u>3,598,230</u>	<u>3,359,530</u>	<u>39,188,783</u>	<u>3,726,057</u>
Total primary government	<u>\$ 644,158,260</u>	<u>\$ 97,901,200</u>	<u>\$ 111,430,807</u>	<u>\$ 621,272,636</u>	<u>\$ 49,847,521</u>
<b>Discretely Presented Component Units:</b>					
<b>Air Quality:</b>					
Net pension liability -- LGERS	\$ 304,265	\$ -	\$ 4,135	\$ 300,130	\$ -
Net OPEB liability	302,992	-	7,701	295,291	-
Compensated absences	87,957	8,157	-	96,114	96,114
Pension spiking liability	-	114,756	-	114,756	114,756
	<u>\$ 695,214</u>	<u>\$ 122,913</u>	<u>\$ 11,836</u>	<u>\$ 806,291</u>	<u>\$ 210,870</u>
<b>Tourism Development Authority:</b>					
Lease installment obligations	\$ 4,935,151	\$ -	\$ 173,910	\$ 4,761,241	\$ 178,101
Subscription installment obligations	220,632	-	137,092	83,540	41,210
Compensated absences	121,785	15,748	-	137,533	137,533
	<u>\$ 5,277,568</u>	<u>\$ 15,748</u>	<u>\$ 311,002</u>	<u>\$ 4,982,314</u>	<u>\$ 356,844</u>

Compensated absences, other postemployment benefits and pension liability typically have been liquidated in the funds in which they have been earned, with the majority of governmental activities liability liquidated in the General Fund and business-type activities liability in the Solid Waste Disposal Fund. The change in compensated absences liability is presented as a net change for the year ended June 30, 2025 as allowed by GASB 101.

**(C) Interfund Balances and Activity**

Interfund loans consisted of the following at June 30, 2025:

*Due to General Fund:*

From the Occupancy Tax Fund for June collection fees	\$ 132,030
From the Grant Projects Fund for short term cash flow needs	9,797,508
From the Public Schools ADM Sales Tax/Lottery Projects for short term cash flow needs	115,252
From the Housing/Open Space Bond Projects for short term cash flow needs	779,204
Total Due to the General Fund	<u>\$ 10,823,994</u>

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

*Major Governmental Funds:*

*General Fund:*

From the General Fund to the Grant Projects Fund to fund grant matches	\$ 273,828
From the General Fund to the Special Projects Capital Projects Fund for housing and conservation projects	438,770
From the General Fund to the Special Projects Capital Projects Fund for reparations	520,200
From the General Fund to the Special Projects Capital Projects Fund for early childhood education	3,974,691
From the General Fund to the Special Projects Capital Projects Fund for economic incentives	2,600,000
From the General Fund to the 911 Operations Fund to cover prior year ineligible expenditures	237,788
From the General Fund to the Transportation Fund for transportation services	847,103
From the General Fund to the County Capital Projects Fund for various capital projects	854,640
From the General Fund to the PDF Woodfin Fund to cover County's cost of incremental taxes	507,983

*Special Projects Capital Projects Fund:*

From the Special Projects County Capital Projects Fund to the General Fund to reimburse savings	34,341
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*Grant Projects Fund:*

From the Grant Projects Fund to the Solid Waste Fund to reimburse for salary expenditures related to TS Fred	11,950
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*AB Tech Capital Projects Fund:*

From the AB Tech Capital Projects Fund to the General Fund for community college operations	5,000,000
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*Nonmajor Governmental Funds:*

From the Register of Deeds Automation Fund to the General Fund for reimbursement of automation related expenditures	26,689
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15,327,983

**D) Fund Balance**

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

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

Total fund balance - General Fund	\$ 117,470,680
Less:	
Restricted or nonspendable	
Prepays	418,481
Long term receivables	484
Leases	(23,356)
Stabilization by State Statute	37,746,069
Capital projects	264,362
Permits and inspections	6,322,695
Soil and water conservation district	39,820
Tax reappraisal	372,776
Committed	
Future transfer to County Capital Projects Fund per policy	-
Assigned	
Appropriated in FY25 budget	7,100
Fund balance policy minimum	<u>69,682,290</u>
Remainder available for appropriation	<u>\$ 2,639,959</u>

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

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

Outstanding encumbrances at June 30, 2025:

<u>Fund</u>	<u>Encumbrances</u>
General	\$ 201,175
Grant Projects	13,252,053
Public School Capital Needs	4,036,612
AB Tech Capital Projects	684,458
County Capital Projects	10,736,283
Special Projects Capital Projects	1,843,872
Non-Major	7,829,431
	<u>\$ 38,583,884</u>

**Note 4 - Joint Ventures**

**Vaya Health**

The County participates in a joint venture to operate Vaya Health, a public managed care organization (“MCO”), which manages federal, state and local funding for services related to mental health, developmental disability, and substance abuse in its 22-county area. Buncombe County appoints one member of the 22-member board, with the other counties appointing the remainder. The County has an ongoing financial responsibility for the MCO because it is legally required to provide public health services either directly or jointly with other counties. None of the participating governments have any equity interest in the MCO, so no equity interest has been reflected in the financial statements at June 30, 2025. In accordance with the intergovernmental agreement between the participating

governments, the County appropriated \$600,000 to the MCO to fund operations. Complete financial statements for Vaya Health may be obtained from their offices at 200 Ridgefield Court, Asheville, NC 28806.

#### **Asheville-Buncombe Technical Community College**

The County, in conjunction with the State of North Carolina, the Buncombe County Board of Education and Madison County, participates in a joint venture to operate the Asheville-Buncombe Technical Community College. The board of trustees consists of 15 members, four appointed by the County, four appointed by the Governor (on behalf of the State of North Carolina), four appointed jointly by the Buncombe County and Asheville City Boards of Education, two appointed by Madison County, and one appointed by the Madison County Board of Education. The president of the community college's student government serves as an ex-officio nonvoting member of the community college's board of trustees. The community college is included as a component unit of the State. The County has the basic responsibility for providing funding for the facilities of the community college and also provides some financial support for the community college's operations. In addition to providing annual appropriations for facilities, the County periodically issues debt to provide financing for new and restructured facilities. Limited obligation bonds of \$41,604,786 in principal are outstanding. The County has an ongoing financial responsibility for the community college because of the statutory responsibility to provide funding for the community college's facilities. The County contributed \$5,000,000 to the community college for operating purposes during the fiscal year ended June 30, 2025. In addition, the County made principal and interest payments of \$78,799 during the fiscal year on general obligation bonds and \$8,167,433 on limited obligation bonds issued for community college capital facilities. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2025. Complete financial statements for the community college may be obtained from the community college's administrative offices at 340 Victoria Road, Asheville, NC 28801.

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

#### **Note 5 - Jointly Governed Organizations**

##### **Land of Sky Regional Council**

The County is a founding member of the Land of Sky Regional Council (Council) which serves four counties and fifteen municipalities. The Council coordinates various funding received from federal and state agencies and administers programs related to aging, workforce development, volunteer services and economic and community development. The participating governments appoint the Council's governing board. The County paid membership fees of \$173,973 to the Council during the fiscal year ended June 30, 2025.

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

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

#### **Note 6 - Summary Disclosure of Significant Commitments and Contingencies**

##### **Federal and State Assisted Programs**

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

**Note 7 - Unrestricted Net Position**

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

At the end of the fiscal year, the outstanding debt balance was \$147,982,719 and \$41,683,585 for the school systems and community college, respectively. Of the combined total, \$2,321,201 is general obligation debt, which is collateralized by the full faith, credit, and taxing power of the County. The County is authorized and required by State law to levy ad valorem taxes, without limit as to rate or amount, necessary to pay debt service on its general obligation bonds. The remainder of the debt is installment debt and is collateralized by County assets. Principal and interest requirements are appropriated in the year they become due.

**Note 8 - Pledged Revenues**

The County and the Town of Woodfin have pledged a portion of their future ad valorem tax revenues to repay \$11,285,000 in Series 2014A limited obligation bonds issued in February 2014. This issuance refunded \$11,885,000 of Series 2008 Project Development Financing (PDF) Revenue Bonds that were used to finance the Woodfin Downtown project. A portion of this was refunded by the Series 2022B taxable limited obligation bonds and then again by a portion of the Series 2024A tax-exempt limited obligation bonds. The bond principal is payable from the incremental ad valorem tax revenues generated by increased property values in the refurbished district to the extent that these revenues are available. In the event that the incremental tax revenues are not sufficient to meet the debt service requirements, the Buncombe County General Fund will advance the funds necessary to keep the debt service current. The Buncombe County General Fund will then be reimbursed as additional incremental revenues become available in the future.

The total principal and interest amount remaining on the bonds is \$9,504,000 payable through June 2037. Total principal and interest payments on the Series 2024A limited obligation bonds from July 1, 2024 through June 30, 2025 were \$791,643. Accumulated tax revenue for the same period of time was \$831,852.

**Note 9 – Restatements**

**Correction of an Error in Previously Issued Financial Statements**

*Correction to value of capital assets related to equipment that is accounted for by school districts (Column A)*

During fiscal year 2025, the County discovered that capital assets previously recorded and being depreciated on the government wide statements belonged to the school districts. These assets were part of the County’s solar panel projects that were being built at various locations. In MOU’s with Buncombe County Schools and Asheville City Schools, it was agreed that once installation was complete, the units would become part of the premises owned by the school system. Given that fact, the County should not have capitalized any of the completed solar projects on school property. Disposing of the already capitalized assets will reduce Equipment by \$6,409,690 and the corresponding accumulated depreciation by \$252,645. The result is a decrease to governmental activities net position by \$6,157,045 as shown in column A below.

	June 30, 2024 As Previously Reported	Error Correction (A)	June 30, 2024 As Restated
Government Wide			
Governmental Activities	\$ (16,291,198)	\$ (6,157,045)	\$ (22,448,243)
Business-Type Activities	24,576,738	-	24,576,738
Total Primary Government	<u>\$ 8,285,540</u>	<u>\$ (6,157,045)</u>	<u>\$ 2,128,495</u>

**Note 10 – Subsequent Events****Additional State Cashflow Loan for Disaster Response**

On August 20, 2025, subsequent to the close of the fiscal year ended June 30, 2025, Buncombe County was notified by the State Treasurer's Office of its eligibility to receive an additional \$5,418,434 in cashflow loan funding. This funding is the third round of the State loan program established to support disaster recovery efforts related to Hurricane Helene. Per the requirements of this round of funding, the County applied for funding prior to the deadline of August 15, 2025. The Round 3 awards were based on availability of funds as appropriated by the State's General Assembly and need as determined by the State Treasurer's Office and the Division of Emergency Management. On September 11, 2025, the County confirmed receipt of the third-round funding. This increases the County's total funding received through the loan program as of the reporting date to \$19,443,054. The financial statements for the fiscal year ended June 30, 2025, do not include the effects of this newly approved loan funding because the conditions for the award were not finalized until after the balance sheet date.

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

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

	2025	2024	2023
<b>Assets</b>			
Cash and cash equivalents	\$ 96,524,179	\$ 99,169,945	\$ 113,116,079
Restricted cash and cash equivalents	741,642	703,692	1,824,798
Receivables, net	11,719,685	12,090,148	6,857,424
Due from other governments	19,264,819	18,272,600	19,690,962
Due from other funds	10,823,994	5,652,666	7,868,630
Prepaid items	418,481	1,489,201	860,591
Long-term receivable	484	2,555	7,259
Lease receivable	10,963,728	14,393,125	15,252,634
Total assets	\$ 150,457,012	\$ 151,773,932	\$ 165,478,377
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 11,944,437	\$ 12,894,597	\$ 13,955,809
Payable from restricted assets	57,251	-	34,019
Unearned revenue	-	131,782	1,390,220
Other liabilities	3,791,951	3,334,286	3,336,719
Total liabilities	15,793,639	16,360,665	18,716,767
<b>Deferred Inflows of Resources</b>	17,192,693	19,552,417	19,800,843
<b>Fund Balances</b>			
Non-spendable	395,609	1,573,127	1,135,050
Restricted:			
Stabilization by state statute	37,746,069	37,644,966	36,078,890
Capital projects	264,362	168,753	114,723
Other	-	-	3,563,086
General government	372,776	434,738	-
Economic and physical development	6,362,515	5,706,992	-
Assigned:			
Subsequent year expenditures	7,100	11,764,570	18,894,070
Unassigned	72,322,249	58,567,704	67,174,948
Total fund balances	117,470,680	115,860,850	126,960,767
Total liabilities, deferred inflows of resources, and fund balances	\$ 150,457,012	\$ 151,773,932	\$ 165,478,377

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

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

	2025	2024	2023
<b>Revenues</b>			
Ad valorem taxes	\$ 275,362,221	\$ 256,768,376	\$ 244,033,754
Local option sales tax	45,401,618	45,427,424	44,650,927
Other taxes and licenses	5,782,074	9,781,223	10,226,631
Unrestricted intergovernmental	3,163,153	1,066,970	5,542,083
Restricted intergovernmental	49,322,499	47,286,462	45,232,296
Permits and fees	5,399,210	7,070,437	5,573,697
Sales and services	25,105,494	25,031,967	23,086,737
Investment earnings	8,108,635	10,540,651	6,852,840
Other	1,423,558	3,037,133	697,763
Total revenues	419,068,462	406,010,643	385,896,728
<b>Expenditures</b>			
Current:			
General government	58,146,242	61,273,834	65,481,271
Public safety	92,496,992	90,125,004	79,947,631
Economic and physical development	8,463,316	9,052,570	7,326,317
Human services	93,802,027	94,002,159	89,497,217
Cultural and recreational	10,778,296	10,562,894	9,061,236
Education	121,851,159	121,955,126	109,038,706
Capital outlay	10,714,992	6,873,496	-
Debt service:			
Principal	18,744,929	17,231,698	15,880,047
Interest and other charges	6,650,257	5,217,166	5,783,036
Total expenditures	421,648,210	416,293,947	382,015,461
Revenues over (under) expenditures	(2,579,748)	(10,283,304)	3,881,267
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	25,879	61,533	36,903
Installment obligations issued	3,407,000	2,784,388	-
Installment obligations issued, refunding	29,575,000	-	-
Premiums on issuance	2,654,563	-	-
Payment to refunded bond escrow agent	(32,692,723)	-	-
Lease liabilities issued	6,413,832	1,800,263	5,951,567
Transfers from other funds:			
Special revenue funds	26,689	28,874	26,624
Capital projects funds	5,034,341	7,435,290	8,408,895
Internal service funds	-	155,265	-
Transfers to other funds:			
Special revenue funds	(1,866,702)	(2,036,881)	(2,047,632)
Capital projects funds	(8,388,301)	(11,053,812)	(13,610,911)
Total other financing sources (uses)	4,189,578	(825,080)	(1,234,554)
Net change in fund balance	1,609,830	(11,108,384)	2,646,713
<b>Fund Balances</b>			
Fund balance, beginning of year	115,860,850	126,960,767	124,314,054
Restatement	-	8,467	-
Fund balance, beginning of year, restated	115,860,850	126,969,234	124,314,054
Fund balance, end of year	\$ 117,470,680	\$ 115,860,850	\$ 126,960,767

The accompanying notes are an integral part of these financial statements

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

Buncombe County, North Carolina  
**Compiled Budget - General Fund**  
For the Fiscal Year Ending June 30, 2026  
As of March 31, 2026

	General Fund
<b>Estimated revenues</b>	
Ad valorem taxes	\$ 287,234,357
Local option sales tax	49,627,016
Other taxes and licenses	6,190,900
Intergovernmental	49,850,675
Permits and fees	7,205,917
Sales and services	23,947,318
Other	7,738,734
Total estimated revenues	431,794,917
 <b>Appropriations</b>	
General government	66,472,195
Public safety	98,541,559
Economic and physical development	10,802,317
Human services	96,812,222
Cultural and recreational	12,168,792
Education	125,896,840
Debt service:	
Principal	12,625,611
Interest and other charges	5,707,322
Total appropriations	429,026,858
Estimated revenues over appropriations	2,768,059
 <b>Other financing sources (uses)</b>	
Issuance of debt	587,640
Transfers from other funds:	
Capital projects funds	5,084,162
Transfers to other funds:	
Special revenue funds	(1,518,926)
Capital projects funds	(7,554,691)
Appropriated fund balances	633,756
Total other financing uses	(2,768,059)
Total estimated revenues and other financing sources over appropriations and other uses	\$ -

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



**APPENDIX E**

May \_\_, 2026

County of Buncombe, North Carolina  
Asheville, North Carolina

§ \_\_\_\_\_  
**County of Buncombe, North Carolina**  
**General Obligation Bonds, Series 2026A**

§ \_\_\_\_\_  
**County of Buncombe, North Carolina**  
**Taxable General Obligation Bonds, Series 2026B**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance and sale of the \$ \_\_\_\_\_ County of Buncombe, North Carolina General Obligation Bonds, Series 2026A (the “2026A Bonds”) and the \$ \_\_\_\_\_ County of Buncombe, North Carolina Taxable General Obligation Bonds, Series 2026B (the “2026B Bonds”) and collectively with the 2026A Bonds, the “Bonds”).

The Bonds are issuable as fully registered obligations and will mature and bear interest at the rates and at the times established in a bond resolution adopted by the Board of Commissioners (the “Board of Commissioners”) for the County of Buncombe, North Carolina (the “County”) on April 21, 2026 related to the Bonds (the “Bond Resolution”) and in the Pricing Certificate (as defined in the Bond Resolution), delivered on the date hereof as authorized by the Bond Resolution.

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

- a. Certified copies of (i) the bond orders adopted by the Board of Commissioners on June 7, 2022 and approved by the vote of a majority of the voters who voted thereon at a referendum duly called and held on November 8, 2022; and (ii) the Bond Resolution;
- b. A specimen 2026A Bond and 2026B Bond; and
- c. Such other documents as we deemed relevant and necessary in rendering this opinion.

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

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

2. The Bonds are legal, valid and binding general obligations of the County. The rights of the owners of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency,

reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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

4. Interest on the 2026A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax, however, such interest on the 2026A Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "*Code*")) for the purpose of computing the alternative minimum tax imposed on corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2026A Bonds in order that the interest on the 2026A Bonds be, or continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the 2026A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2026A Bonds. We express no opinion regarding other federal tax consequences related to the ownership of or the receipt, accrual or amount of interest on, the 2026A Bonds.

5. Interest on the 2026B Bonds is taxable as ordinary income for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

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

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, liquidation, readjustment of debt and other similar laws affecting creditors' rights and remedies generally, and by general principles of equity, whether such principles are considered in a proceeding at law or in equity.

Our services as bond counsel in connection with the issuance of the Bonds have been limited to rendering the opinions expressed above based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax status of the interest on the Bonds.

We express no opinion herein as to the adequacy, accuracy or completeness of the Preliminary Official Statement or the Official Statement, or any other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating to the financial resources of the County, or the ability of the County to make the payments required on the Bonds that may have been relied upon by anyone in making the decision to purchase Bonds.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents, opinions and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing on such public records and certifications, documents, opinions and other proceedings.

County of Buncombe, North Carolina

May \_\_, 2026

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The opinions expressed above are given as of the date hereof, and we assume no obligation to revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

**PARKER POE ADAMS & BERNSTEIN LLP**

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

**Constitutional Provisions**

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

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

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

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

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

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

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

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

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

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

### **The Local Government Bond Act**

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

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

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

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

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

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

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

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

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

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

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

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

#### Short-Term Obligations

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

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

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

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

## **The Local Government Budget and Fiscal Control Act**

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

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

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

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

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

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

## **Major General Fund Revenue Sources**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Local Government Sales and Use Taxes**

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

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

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

### **Alcoholic Beverage Control Store Profits**

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

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

### **Intragovernmental Shared Revenues**

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

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

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

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

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

### **State and Local Fiscal Relations**

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

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

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

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

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

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

**BOOK-ENTRY ONLY SYSTEM**

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s Participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (the “DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual identities of the Beneficial Owners of the Bonds; DTC's records reflect only the identities of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The Commission or the County may decide to discontinue use of the system of book-entry- only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the County takes no responsibility for the accuracy thereof.

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

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